



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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June 3, 2009

Board of Directors  
Families United, Inc.  
303 S. Perry St.  
P.O. Box 340  
Attica, IN 47918

We have reviewed the audit report prepared by Reed & Company, PC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 Families United, Inc., as of December 31, 2007, 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 finding in the report. Page 15 contains one current audit finding.

STATE BOARD OF ACCOUNTS

# Families United, Inc.

**Audited Financial Statements**  
December 31, 2007 and 2006

# Families United, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Families United, Inc.  
Attica, Indiana

We have audited the accompanying balance sheets of Families United, Inc. (an Indiana Corporation) as of December 31, 2007 and 2006, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Families United, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Reed & Company, P.C.*

Lafayette, Indiana  
June 24, 2008

# Families United, Inc.

## Balance Sheets

December 31, 2007 and 2006

### ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 390,131	\$ 356,545
Accounts receivable	237,366	362,024
Certificate of deposit	52,121	0
Prepaid expenses	39,000	28,694
Total Current Assets	<u>718,618</u>	<u>747,263</u>
<b>EQUIPMENT</b>		
Furniture and fixtures	110,686	106,113
Equipment	175,978	152,858
Vehicles	44,002	44,002
	<u>330,666</u>	<u>302,973</u>
Less: accumulated depreciation	<u>(221,024)</u>	<u>(204,416)</u>
Total Equipment	<u>109,642</u>	<u>98,557</u>
<b>TOTAL ASSETS</b>	<u>\$ 828,260</u>	<u>\$ 845,820</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,826	\$ 23,426
Payroll taxes withheld and accrued	17,597	3,865
Accrued expenses	91,907	92,031
Deferred revenue	132,540	179,855
Total Current Liabilities	<u>260,870</u>	<u>299,177</u>
<b>STOCKHOLDER'S EQUITY</b>		
Capital stock	1,000	1,000
Retained earnings	566,390	545,643
Total Stockholder's Equity	<u>567,390</u>	<u>546,643</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u>\$ 828,260</u>	<u>\$ 845,820</u>

See Accompanying Notes to Financial Statements

# Families United, Inc.

## Statements of Income

For the Years Ended December 31, 2007 and 2006

	2007		2006	
REVENUE	\$ 1,845,763	100.0 %	\$ 1,879,375	100.0 %
OPERATING EXPENSES				
Salaries and wages	1,148,957	62.2	1,166,136	62.0
Payroll taxes	86,975	4.7	88,460	4.7
Employee benefits	24,560	1.3	22,257	1.2
Advertising	4,607	0.2	4,498	0.2
Auto and travel	136,913	7.4	156,433	8.3
Bad debts	0	0.0	23	0.0
Depreciation	33,173	1.8	29,150	1.6
Donations	300	0.0	246	0.0
Dues and memberships	1,319	0.1	1,773	0.1
Education and training	9,261	0.5	13,058	0.7
Insurance	26,010	1.4	11,045	0.6
Professional fees	14,586	0.8	24,138	1.3
Meals and entertainment	2,111	0.1	2,898	0.2
Office expense	41,412	2.2	38,602	2.1
Program expense	13,049	0.7	20,106	1.1
Postage	4,763	0.3	5,028	0.3
Rent	144,671	7.8	142,259	7.6
Subscriptions	1,060	0.1	912	0.0
Supplies	18,130	1.0	17,664	0.9
Telephone	17,764	1.0	18,416	1.0
Total Operating Expenses	1,729,621	93.6	1,763,102	93.9
OPERATING INCOME	116,142	6.3	116,273	6.2
OTHER INCOME (EXPENSES)				
Interest income	10,433	0.6	7,508	0.4
Loss on disposal of fixed assets	(3,828)	(0.2)	(1,446)	(0.1)
Total Other Income (Expenses)	6,605	0.4	6,062	0.3
NET INCOME	\$ 122,747	6.7 %	\$ 122,335	6.5 %

See Accompanying Notes to Financial Statements

**Families United, Inc.**  
Statements of Retained Earnings  
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Balance at Beginning of Year	\$ 545,643	\$ 584,418
Net income	122,747	122,335
Distributions	<u>(102,000)</u>	<u>(161,110)</u>
Balance at End of Year	<u>\$ 566,390</u>	<u>\$ 545,643</u>

See Accompanying Notes to Financial Statements

# Families United, Inc.

## Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from clients and grants	\$ 1,923,106	\$ 1,891,816
Cash received from interest	10,433	7,508
Cash paid to employees and suppliers	<u>(1,697,746)</u>	<u>(1,751,524)</u>
Net Cash Provided by Operating Activities	235,793	147,800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of fixed assets	(48,086)	(31,203)
Payment for purchase of certificate of deposit	<u>(52,121)</u>	<u>0</u>
Net Cash Used by Investing Activities	(100,207)	(31,203)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to shareholder	<u>(102,000)</u>	<u>(161,110)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	33,586	(44,513)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>356,545</u>	<u>401,058</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 390,131</u>	<u>\$ 356,545</u>

See Accompanying Notes to Financial Statements

# Families United, Inc.

## Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2007</u>	<u>2006</u>
NET INCOME	\$ 122,747	\$ 122,335
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	33,173	29,150
Loss on disposal of assets	3,828	1,446
(INCREASE) DECREASE IN ASSETS:		
Accounts receivable	124,658	34,233
Prepaid expenses	(10,306)	(1,901)
INCREASE (DECREASE) IN LIABILITIES:		
Accounts payable	(4,600)	(971)
Payroll taxes withheld and accrued	13,732	(10,999)
Accrued expenses	(124)	(3,701)
Deferred revenue	<u>(47,315)</u>	<u>(21,792)</u>
TOTAL ADJUSTMENTS	<u>113,046</u>	<u>25,465</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 235,793</u>	<u>\$ 147,800</u>

See Accompanying Notes to Financial Statements

# **Families United, Inc.**

Notes to Financial Statements

December 31, 2007 and 2006

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Families United, Inc. was incorporated under the laws of the State of Indiana on March 28, 1989. Families United, Inc. is a comprehensive, home-based, family-centered service, which has provided intensive in-home support to children and families. The service is designed to prevent placement of children away from the family, or to assist in reunifying the family if children are in placement. The agency serves Benton, Boone, Carroll, Fountain, Montgomery, Putnam, Tippecanoe, Warren and White Counties.

### Basis of Accounting

The financial statements of Families United, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, Families United, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Certificate of Deposit

As of December 31, 2007, Families United, Inc. had a certificate of deposit at a bank with an interest rate of 4.55% and a maturity date of April 24, 2008.

### Concentration of Credit Risk for Cash Held at Bank

Families United, Inc. maintains a cash balance at two financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. The amount of cash in excess of the insured limits at December 31, 2007 and 2006 were \$256,384 and \$204,648.

### Accounts Receivable

Accounts receivable are shown at net realizable value. Bad debts are recognized using the direct write-off method, which does not differ materially from the allowance method.

# Families United, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Accounts Receivable, continued

Receivables, which are deemed to be fully collectible by management, are composed of the following amounts as of December 31:

	<u>2007</u>	<u>2006</u>
Benton County	\$ 6,459	\$ 40,965
Boone County	2,095	3,958
Fountain County	10,474	23,620
Montgomery County	9,465	38,699
Putnam County	0	16,361
Tippecanoe County	125,470	162,999
Warren County	8,635	11,214
White County	9,148	4,674
Healthy Families	8,160	9,528
TANF	55,950	49,526
Other receivables	<u>1,510</u>	<u>480</u>
Total Receivables	<u>\$ 237,366</u>	<u>\$ 362,024</u>

### Significant Group Concentrations of Credit Risk

The majority of the revenue for services is received from agencies located within the state.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

# Families United, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Equipment

Equipment is recorded at cost. It is the policy of Families United, Inc. to capitalize expenditures for these items in excess of \$100. Lesser amounts and expenditures for repairs and maintenance are expensed. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives of assets are as follows:

Furniture and fixtures	5 to 15 years
Equipment	5 to 7 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2007 and 2006 was \$33,173 and \$29,150.

### Line of Credit

Families United, Inc. has a line of credit in the amount of \$200,000 which matures on November 20, 2008. The interest rate is 8.25%. There have been no borrowings against the line of credit during 2007 or 2006.

## TAX STATUS

As of June 21, 1989, Families United, Inc. elected by consent of its stockholder to be taxed under the provisions of subchapter S of the Internal Revenue Code. Under these provisions, the corporation does not pay corporate income taxes. Instead, the stockholder includes her respective share of the corporation's net income in her individual tax return.

## COMMON STOCK

There are 1,000 shares of no-par value common stock authorized, issued and outstanding.

# Families United, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

## LEASE COMMITMENTS

### Operating Leases

Families United, Inc. was leasing five buildings and one storage unit under a one year lease agreement from its shareholder. Total monthly rent was \$10,062.

Families United, Inc. was also leasing space from an unrelated party with annual rent of \$2,664 and \$2,532 in 2007 and 2006. Total rent expense for facilities for the years ended December 31, 2007 and 2006 was \$123,328 and \$123,276.

Families United, Inc. was leasing seven copiers under an operating lease arrangement during 2006 and 2007. The following are the lease commitments:

<u>Lease term</u>	<u>Monthly payment</u>
April 2004 through April 2007	\$ 79
September 2004 through September 2007	\$ 307
March 2005 through March 2008	\$ 374
October 2005 through October 2008	\$ 138
April 2006 through April 2009	\$ 286
August 2006 through August 2009	\$ 138
August 2006 through August 2009	\$ 286
April 2007 through April 2010	\$ 135
September 2007 through September 2010	\$ 534

Total rent expense for copiers for the years ended December 31, 2007 and 2006 was \$21,343 and \$18,983.

Minimum future rental payments, under the non-cancelable operating leases, as of December 31, 2007:

<u>Year Ended December 31,</u>	<u>Amount</u>
2008	\$ 18,533
2009	12,700
2010	4,676
	<u>\$ 35,909</u>

## RELATED PARTY TRANSACTIONS

Families United, Inc. leases its buildings from its shareholder. The lease is classified as an operating lease. See operating lease footnote.

## **Families United, Inc.**

Notes to Financial Statements

December 31, 2007 and 2006

### EMPLOYMENT RETIREMENT PLAN

Families United, Inc. adopted a Savings Incentive Match Plan for Employees (SIMPLE) in July 2000. The plan covers all employees. Employees are allowed to defer a maximum of \$10,500 and \$10,000 in 2007 and 2006. Employees age 50 or over can make an additional catch up contribution of \$2,500 in 2007 and 2006. Families United, Inc. is matching 3% of the eligible employees' salary. Total contributions to the plan were \$24,560 and \$22,257 in 2007 and 2006.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Families United, Inc.  
Attica, Indiana

Our report on our audit of the basic financial statements of Families United, Inc., as of and for the year ended December 31, 2007, appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Our audit of the financial statements was made in accordance with auditing standards generally accepted in the United States of America. Accordingly, we conducted such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The accompanying schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of funding sources and schedule of federal, state, and local grant awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing 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.

*Reed & Company, P.C.*

Lafayette, Indiana  
June 24, 2008

**Families United, Inc.**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2007

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Agency of Pass-through Number	Federal Expenditures
Indiana Family & Social Services Administration / Division of Family and Children / Bureau of Family Protection / Preservation / Healthy Families Indiana	93.558	23-05-60-0467	\$ 795,921 *
Indiana Family & Social Services Administration / Division of Family and Children / Bureau of Family Protection / Preservation / Title IV B Part II	93.556	97-07-72-0467	92,648
Total			\$ <u>888,569</u>

\* Major Program

Basis of Accounting

The amounts of revenue recognized and expenditures shown on the Schedule of Expenditures of Federal Awards are presented in accordance with U.S. generally accepted accounting principles.

**Families United, Inc.**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2007

**Section I - Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Families United, Inc.
2. One control deficiency disclosed during the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs. It is a material weakness.
3. No instances of noncompliance material to the financial statements of Families United, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of internal control over major federal award programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for Families United, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as major programs included: Indiana Family & Social Services Administration/Division of Family and Children/Bureau of Family Protection/Preservation/Healthy Families Indiana-CFDA Number 93.558.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Families United, Inc. did qualify as a low-risk auditee.

**Families United, Inc.**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2007

**Section II-Findings-Financial Statements Audit**

**MATERIAL WEAKNESS**

**07-01 Financial Statement Preparation**

*Condition:* Reed & Company, P.C. drafted the financial statements in accordance with accounting principles generally accepted in the United States of America.

*Criteria:* Families United, Inc. does not have the expertise to prepare the financial statements and disclosures in accordance with accounting principles generally accepted in the United States of America.

*Effect:* The financial statements were drafted by Reed & Company, P.C. and reviewed by management prior to their issuance.

*Auditors' Recommendation:* Management should continue to review the draft of the financial statements prior to their issuance and discuss any concerns with Reed & Company, P.C.

*Response:* Management of Families United, Inc. concurs with this recommendation and has reviewed a draft of the financial statements.

**Section III-Findings and Questioned Costs-Major Award Programs Audit**

None

**Families United, Inc.**  
Schedule of Funding Sources  
For the Year Ended December 31, 2007

Indiana Family & Social Services Administration Division of Family and Children	\$ 903,365	48.9 %
Other funding sources	<u>942,398</u>	<u>51.1</u>
Total Revenue	<u>\$ 1,845,763</u>	<u>100.0 %</u>

See Accompanying Independent Auditor's Report on Supplementary Information

# Families United, Inc.

## Schedule of Federal, State and Local Grant Awards For the Year Ended December 31, 2007

### STATE GRANT AWARDS

#### INDIANA FAMILY AND SOCIAL SERVICES ADMINISTRATION

##### IV B Part I Grant

Grant balance, as of January 1	\$	0
Additional awards		14,797
Funds expended		<u>(14,797)</u>
Grant balance, as of December 31	\$	<u>0</u>
* zero based contract as of October 1, 2004		

##### IV B Part II Grant

Grant balance, as of January 1	\$	0
Additional awards		92,648
Funds expended		<u>(92,648)</u>
Grant balance, as of December 31	\$	<u>0</u>
* zero based contract as of October 1, 2004		

##### Healthy Families Grant

Grant balance, as of January 1	\$	668,819
Additional awards		870,380
Funds expended		<u>(795,921)</u>
Funds expired		<u>(121,596)</u>
Grant balance, as of December 31	\$	<u>621,682</u>

### LOCAL GRANT AWARDS

#### COUNTY FUNDING

Family Preservation, Supervised Visitation, and Counseling Grants		
Funds expended	\$	<u>797,272</u>

See Accompanying Independent Auditor's Report on Supplementary Information



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of  
Families United, Inc.  
Attica, Indiana

Compliance

We have audited the compliance of Families United, Inc., with the types of compliance requirements that are applicable to each of its major federal programs for the year ended December 31, 2007. Families United, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Families United, Inc.'s management. Our responsibility is to express an opinion on Families United, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Families United, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Families United, Inc.'s compliance with those requirements.

In our opinion, Families United, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Families United, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Families United, Inc.'s, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on

compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Families United, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Reed & Company, P.C.*

Lafayette, Indiana  
June 24, 2008