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June 18, 2009

Board of Directors  
Family Focus, Inc.  
901 S. Woodland Ave.  
Michigan City, IN 46360

We have reviewed the audit report prepared by Jurgonski & Fredlake, CPAs, 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 Family Focus, 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 findings in the report. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

**FAMILY FOCUS, INC.**

**FINANCIAL AND COMPLIANCE REPORT**

December 31, 2007 and 2006

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Greg Jurgonski

John A. Fredlake

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Family Focus, Inc.  
Michigan City, Indiana

We have audited the accompanying statements of financial position of Family Focus, Inc. (a not for profit Organization) (the Organization) as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 Family Focus, Inc. as of December 31, 2007 and 2006 and the 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2008 on our consideration of the Organization'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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Family Focus, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.



South Bend, Indiana  
May 5, 2008

**FAMILY FOCUS, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2007 and 2006

<b>ASSETS</b>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 133,167	\$ 63,119
Grants receivable (less allowance for doubtful accounts of \$30,000 in 2007 and \$22,500 for 2006)	1,102,737	837,000
Prepaid expenses	<u>17,461</u>	<u>43,679</u>
Total current assets	<u>1,253,365</u>	<u>943,798</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	6,109	6,109
Equipment	<u>73,376</u>	<u>47,446</u>
Total property and equipment	79,485	53,555
Less accumulated depreciation	<u>(44,415)</u>	<u>(30,857)</u>
Property and equipment, net	<u>35,070</u>	<u>22,698</u>
<b>Total assets</b>	<u><u>\$ 1,288,435</u></u>	<u><u>\$ 966,496</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Lines of credit	\$ 557,000	\$ 250,000
Accounts payable	24,730	66,138
Current maturities of long-term debt		56,044
Accrued payroll and related benefits	50,224	116,247
Accrued expenses	<u>77,300</u>	<u>70,900</u>
Total current liabilities	<u>709,254</u>	<u>559,329</u>
<b>NET ASSETS</b>		
Unrestricted	510,307	344,672
Temporarily restricted	<u>68,874</u>	<u>62,495</u>
Total net assets	<u>579,181</u>	<u>407,167</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,288,435</u></u>	<u><u>\$ 966,496</u></u>

**FAMILY FOCUS, INC.**

**STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2007 and 2006

	2007		2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE:</b>				
Grants	\$ 1,181,947	\$ 62,517	\$ 1,034,730	\$ 60,178
County revenue	1,796,613	1,244,464	1,495,623	1,495,623
Program fees	31,162	31,162	35,571	35,571
Contributions	2,158	7,658	2,948	2,948
Investment income	630	630	642	642
Other income	30	30	1,400	1,400
Net asset released from restrictions:				
Satisfaction of purpose restrictions	61,638	(61,638)	2,724	(2,724)
<b>Total support and revenue</b>	<b>3,074,178</b>	<b>6,379</b>	<b>2,573,638</b>	<b>57,454</b>
				<b>2,631,092</b>
<b>EXPENSES:</b>				
Program services				
Case Management	1,996,418	1,996,418	1,561,531	1,561,531
Prevention	53,548	53,548	16,232	16,232
Healthy Families	400,769	400,769	355,708	355,708
Parenting classes	21,641	21,641	26,926	26,926
<b>Total program service expenses</b>	<b>2,472,376</b>	<b>2,472,376</b>	<b>1,960,397</b>	<b>1,960,397</b>
Management and general	436,167	436,167	446,160	446,160
<b>Total expenses</b>	<b>2,908,543</b>	<b>2,908,543</b>	<b>2,406,557</b>	<b>2,406,557</b>
Change in net assets	165,635	6,379	167,081	57,454
Net assets, beginning of year	344,672	62,495	177,591	5,041
<b>Net assets, end of year</b>	<b>\$ 510,307</b>	<b>\$ 68,874</b>	<b>\$ 344,672</b>	<b>\$ 62,495</b>
				<b>\$ 407,167</b>

**FAMILY FOCUS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2007

	Case Management	Prevention	Healthy Families	Parenting Classes	Management and General	Total
<b>Salaries and related expenses</b>						
Salaries and related taxes	\$ 1,409,651	\$ 29,297	\$ 249,534	\$ 6,149	\$ 218,169	\$ 1,912,800
Contractual labor				9,894	21,706	31,600
Medical insurance	206,685		34,791		18,111	259,587
Workers compensation insurance					40,724	40,724
Retirement plan	11,420	42	2,584		3,093	17,139
Total salaries and related expenses	<u>1,627,756</u>	<u>29,339</u>	<u>286,909</u>	<u>16,043</u>	<u>301,803</u>	<u>2,281,850</u>
<b>Staff Development</b>	<u>962</u>		<u>8,778</u>	<u>925</u>	<u>8,996</u>	<u>19,661</u>
<b>Program expenses</b>						
Printing and publications	3,988		525	2,692	947	8,152
Activity supplies	8,365		20,639	1,441	1,277	31,722
Client assistance	3,807	16,458	1,389			21,654
Staff mileage	252,015	7,751	36,283		2,800	298,849
Total program expenses	<u>268,175</u>	<u>24,209</u>	<u>58,836</u>	<u>4,133</u>	<u>5,024</u>	<u>360,377</u>
<b>Occupancy expenses</b>						
Building rent	6,680		15,240		13,025	34,945
Grounds and building maintenance	4,869		2,233		9,494	16,596
Depreciation - improvements	207				404	611
Property insurance					12,893	12,893
Utilities	4,737		2,892		9,237	16,866
Total occupancy expenses	<u>16,493</u>		<u>20,365</u>		<u>45,053</u>	<u>81,911</u>
<b>Office expenses</b>						
Contracted services	6,700		524		11,233	18,457
Staff recruiting	6,271		201		1,005	7,477
Professional fees					12,155	12,155
Professional liability insurance					5,285	5,285
Equipment rent and maintenance			4,583		4,848	9,431
Telephone expense	19,056		9,760		18,785	47,601
Office supplies	3,488		6,273	540	10,013	20,314
Depreciation - office furniture	1,515		2,452		8,980	12,947
Interest expense	27,850					27,850
Bad debt expense	18,152					18,152
Miscellaneous expense			2,088		2,987	5,075
Total office expenses	<u>83,032</u>		<u>25,881</u>	<u>540</u>	<u>75,291</u>	<u>184,744</u>
<b>Total expenses</b>	<u>\$ 1,996,418</u>	<u>\$ 53,548</u>	<u>\$ 400,769</u>	<u>\$ 21,641</u>	<u>\$ 436,167</u>	<u>\$ 2,908,543</u>

**FAMILY FOCUS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2006

	Case Management	Prevention	Healthy Families	Parenting Classes	Management and General	Total
<b>Salaries and related expenses</b>						
Salaries and related taxes	\$ 1,135,925	\$ 4,769	\$ 233,582	\$ 8,100	\$ 225,202	\$ 1,607,578
Contractual labor				11,856	28,792	40,648
Medical insurance	137,312		31,497		37,294	206,103
Workers compensation insurance					19,561	19,561
Retirement plan	8,897		1,747		3,144	13,588
Total salaries and related expenses	<u>1,281,934</u>	<u>4,769</u>	<u>266,826</u>	<u>19,956</u>	<u>313,993</u>	<u>1,887,478</u>
<b>Staff Development</b>	<u>3,398</u>		<u>16,889</u>		<u>2,843</u>	<u>23,130</u>
<b>Program expenses</b>						
Printing and publications	4,123			4,204	4,290	12,617
Activity supplies	5,774		2,213	2,174	440	10,601
Client assistance		10,525				10,525
Staff mileage	171,852	938	25,220		4,794	202,804
Total program expenses	<u>181,749</u>	<u>11,463</u>	<u>27,433</u>	<u>6,378</u>	<u>9,524</u>	<u>236,547</u>
<b>Occupancy expenses</b>						
Building rent	7,663		14,660		12,043	34,366
Grounds and building maintenance	4,449		2,135		7,187	13,771
Depreciation - improvements	238				373	611
Property insurance					10,885	10,885
Utilities	4,335		2,263		6,621	13,219
Total occupancy expenses	<u>16,685</u>		<u>19,058</u>		<u>37,109</u>	<u>72,852</u>
<b>Office expenses</b>						
Contracted services	6,693 *		1,914		9,000	17,607
Staff recruiting	3,339		231		3,715	7,285
Professional fees					11,980	11,980
Professional liability insurance					4,544	4,544
Equipment rent and maintenance			2,183		6,103	8,286
Telephone expense	19,053		9,669	390	26,998	56,110
Office supplies	2,990		6,116	142	9,667	18,915
Depreciation - office furniture	1,337		1,008		9,205	11,548
Interest expense	20,564 *					20,564
Bad debt expense	23,289					23,289
Miscellaneous expense	500		4,383	60	1,479	6,422
Total office expenses	<u>77,765</u>		<u>25,502</u>	<u>592</u>	<u>82,691</u>	<u>186,550</u>
<b>Total expenses</b>	<u>\$ 1,561,531</u>	<u>\$ 16,232</u>	<u>\$ 355,708</u>	<u>\$ 26,926</u>	<u>\$ 446,160</u>	<u>\$ 2,406,557</u>

\* Includes reclassifications of amounts to be consistent with 2007 groupings

# FAMILY FOCUS, INC.

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2007 and 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 172,014	\$ 224,535
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Depreciation	13,558	12,159
<b>CHANGE IN ASSETS (INCREASE) DECREASE:</b>		
Grants receivable	(265,737)	(329,693)
Prepaid expenses	26,218	(12,594)
<b>CHANGE IN LIABILITIES INCREASE (DECREASE):</b>		
Accounts payable, accrued payroll, and accrued expenses	(101,031)	82,510
Total adjustments	<u>(326,992)</u>	<u>(247,618)</u>
Net cash used in operating activities	<u>(154,978)</u>	<u>(23,083)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	<u>(25,930)</u>	<u>(5,257)</u>
Net cash used in investing activities	<u>(25,930)</u>	<u>(5,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase (decrease) in line of credit	307,000	(50,000)
Principal payments of long-term debt	<u>(56,044)</u>	<u>(127,956)</u>
Net cash provided by (used by) financing activities	<u>250,956</u>	<u>(177,956)</u>
Net increase (decrease) in cash	70,048	(206,296)
Cash at beginning of year	<u>63,119</u>	<u>269,415</u>
<b>Cash at end of year</b>	<u><u>\$ 133,167</u></u>	<u><u>\$ 63,119</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for interest:	\$ 28,472	\$ 20,734

# FAMILY FOCUS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies

#### **Nature of Activities:**

Family Focus, Inc. (the Organization) is a not for profit Organization primarily involved in providing programs for residents in Northern Indiana that strengthen and empower families and promote safe and nurturing homes for children. Funding is provided from fees for services and community, governmental and private support.

#### **Significant Accounting Policies**

**Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Revenue Recognition** – Revenue from program services is recorded as revenue in the period earned.

**Income Tax Status** - The Organization operates as a not for profit corporation under Internal Revenue Code Section 501(c) (3) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

**Grants Receivable** – The Organization receives grant revenue on a per unit billing basis. A receivable for units billed has been recorded at December 31, 2007. An allowance of \$30,000 for uncollectible grants has been recorded. The allowance is based on prior years' experience and management's analysis.

**Contributions** - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Contributed Services** - A number of unpaid volunteers have made significant contributions of their time to the Organization. During the years ended December 31, 2007 and 2006, the value of contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under Statements of Financial Accounting Standards No. 116.

# FAMILY FOCUS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies (continued)

**Basis of Presentation** - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Property and Equipment** - Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service expense.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Paid Time Off Policy** - Effective January 1, 2007, the Organization revised its Paid Time Off (PTO) policy. In accordance with the revised policy, employees must take their vacation or lose it. This resulted in no PTO accrual at December 31, 2007. The effect of this change was an increase in net assets of \$53,862 during the year ended December 31, 2007.

### Note 2. Lines of Credit

The Organization has a bank line of credit available of \$600,000, of which \$557,000 was utilized at December 31, 2007. The line is secured by the Organization's assets and bears interest at prime or 7.25% at December 31, 2007. Interest is due monthly on the previous month's activity.

The Organization also has a second bank line of credit available of \$300,000, which was not utilized at December 31, 2007. The line is secured by the Organization's assets and bears interest at prime or 7.25% at December 31, 2007. Interest is due monthly on the previous month's activity.

# FAMILY FOCUS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Retirement Plan

Family Focus, Inc. participates in a 401(k) plan (the Plan). Employees are eligible to participate in the Plan the year after they attain 21 years of age and one year of service with at least 1,000 hours. The Organization matches 50% of the first 4% of contributions. Retirement plan expense was \$17,139 and \$13,588 for the years ended December 31, 2007 and 2006, respectively.

### Note 4. Support from Major Funding Sources/Concentrations of Credit Risk

The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

The Organization also places its cash with a high credit quality financial institution. However, the amount of credit exposure to a financial institution occasionally is in excess of the insurance limits established by law or \$100,000.

### Note 5. Lease Commitments

The Organization leases its main office space in Michigan City, Indiana through June, 2008. The lease requires monthly payments of \$1,933. The total rental expense for each of the years ended December 31, 2007 and 2006 was \$23,190. The minimum future lease commitments for the year ending December 31, 2008 are \$11,595.

On November 14, 2007, the Organization entered into a new thirty-six month lease for their office space in Rensselaer, Indiana beginning January 1, 2008. The lease requires monthly payments of \$725. The minimum future lease commitments for the year ending December 31 are: 2008 \$20,295; 2009 \$8,700; 2010 \$8,700.

### Note 6. Restrictions on Assets

Temporarily restricted net assets at December 31, 2007 represent the following:

TANF	\$ 62,517
Enrichment Grant	857
Healthy Families Literacy Education	3,500
Healthy Families Baby Boutique	<u>2,000</u>
	<u>\$ 68,874</u>

## FAMILY FOCUS, INC.

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Number</u>	<u>2007 Disbursements/ Expenditures</u>
U.S. Department of Health and Human Services			
<u>Passed-through Family and Social Services Administration-Division of Family and Children</u>			
Intensive Family Preservation and Reunification	93.556	97-07-72-0857	\$ 108,741
Child Welfare Services	93.645	97-07-72-0857	522,139
Temporary Assistance for Needy Families (TANF)	93.558	46-05-60-0857	<u>479,337</u>
 Total federal awards			 <u>\$ 1,110,217</u>

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

To the Board of Directors  
Family Focus, Inc.  
Michigan City, Indiana

We have audited the financial statements Family Focus, Inc. (the Organization) as of and for the year ended December 31, 2007, and have issued our report thereon, dated May 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above. However, we noted immaterial control deficiencies that we have reported to management of the Organization in a separate letter dated May 5, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Organization in a separate letter dated May 5, 2008.

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This report is intended solely for the information and use of Management, the Board of Directors, 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.

*Jugroshi & Fredlake CPAs*

South Bend, Indiana  
May 5, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors  
Family Focus, Inc.  
Michigan City, Indiana

Compliance

We have audited the compliance of Family Focus, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Family Focus, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Family Focus, Inc.'s management. Our responsibility is to express an opinion on Family Focus, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Focus, 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 Family Focus, Inc.'s compliance with those requirements.

In our opinion, Family Focus, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007. However, we noted immaterial instances of noncompliance that we have reported to management of the Organization in a separate letter dated May 5, 2008.

Internal Control Over Compliance

The management of Family Focus, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Focus, 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 Family Focus, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Focus, 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 affect 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 a material weakness, as defined above. However, we noted immaterial instances of noncompliance that we have reported to management of the Organization in a separate letter dated May 5, 2008.

This report is intended solely for the information and use of Management, the Board of Directors, 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.

*Jugmshi + Fredlake CPAs*

South Bend, Indiana  
May 5, 2008

# FAMILY FOCUS, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2007

### 1. SUMMARY OF AUDITORS' RESULTS:

- a. The auditors' report expresses an unqualified opinion on the financial statements of Family Focus, Inc. for the year ended December 31, 2007.
- b. No significant deficiencies relating to the audit of the financial statements are reported in this schedule.
- c. No instances of noncompliance material to the financial statements of Family Focus, Inc. were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program are reported in this schedule.
- e. The auditors' report on compliance for the major federal award program for Family Focus, Inc. expresses an unqualified opinion on the major federal program.
- f. The program tested as a major program: Temporary Assistance for Needy Families – CFDA #93.558
- g. The threshold used for distinguishing between Types A and B programs was \$300,000.
- h. Family Focus, Inc. was determined to be a low-risk auditee.
- i. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

### 2. Findings related to the financial statements which are required to be reported in accordance with GAGAS:

None

### 3. Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

None

**FAMILY FOCUS, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended December 31, 2007

Family Focus, Inc. did not have any prior year audit findings.

**Memorandum of Advisory Comments and  
Other Required Communications**

**Family Focus, Inc.**

**May 5, 2008**

# Jurgonski & Fredlake CPAs

418 W. Jefferson Blvd., South Bend, Indiana 46601

Office (574) 251-1414

Fax (574) 251-1477

Greg Jurgonski

John A. Fredlake

To the Board of Directors  
Family Focus, Inc.  
Michigan City, Indiana

In planning and performing our audit of the financial statements of Family Focus, Inc. (the Organization) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies not to be significant deficiencies in internal control:

#### Employee Time Sheet Approval

During the testing of payroll, we noted that timesheets were not signed by the employee and not approved by a supervisor. This could lead to payroll and related costs being recorded improperly and incorrect billings to grant sources. We recommend that the employee and supervisor sign and date all timesheets for proper recording of expenses and revenue and proper billing to grant sources.

#### Accounting Policy and Procedures

Our audit indicated that the Organization has started the accounting policy and procedure manual but is not completed. Many controls are currently in place, but formal documentation has either not been finalized or included in a formal reference manual for the examination by the Board of Directors or any external reviewer. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. Good documentation should also include the Organization's capitalization policy, computer policy, backup procedures (for anyone to perform), routine changing of passwords on the accounting software, and include examples. This manual can provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help deter fraud if they set a high ethical tone.
- 3) Help to achieve uniformity in accounting and in the application of policies and procedures.
- 4) Save supervisory time by recording precedent setting decisions so they will not have to be made each time the same, or a similar, situation arises.

It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising personnel.

### **Required Communications**

We have audited the financial statements of Family Focus, Inc. for the year ended December 31, 2007 and have issued our report thereon dated May 5, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated December 18, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Family Focus, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Family Focus, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimates affecting the financial statements were the allowance for doubtful accounts for grants receivable and the audit liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed one significant audit adjustment related to accrued payroll.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

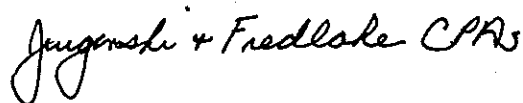
Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

We were pleased to serve Family Focus, Inc. as its independent auditors for 2007 and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire.

This information is intended solely for the information and use of the Board of Directors and management of Family Focus, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

JURGONSKI & FREDLAKE CPAs



South Bend, Indiana  
May 5, 2008



901 S. Woodland Avenue  
Michigan City, IN 46360-5672  
fax: (219) 873-9526  
(219) 871-8104  
(800) 582-4198

May 4, 2007

Board of Directors  
Family Focus, Inc.  
Michigan City, Indiana

**RE: RESPONSE TO JURGONSKI & FREDLAKE CPAs' MANAGEMENT LETTER  
RELATED TO THE AUDIT OF THE RECORDS FOR THE YEAR ENDED  
DECEMBER 31, 2006**

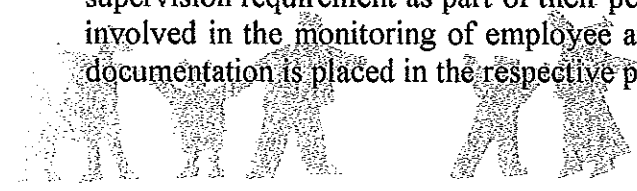
Dear Board of Directors,

This letter will serve as the response that management of Family Focus Inc. is providing to the above referenced audit performed by Jurgonski & Fredlake CPAs.

Finding #1 – Personnel Documentation

To address the missing performance evaluation reviews from personnel files, the Organization's policy has been reviewed. Changes to the policy under consideration include: (1) new employee reviews to be performed after 90 days and annually thereafter and (2) shifting of annual reviews from the anniversary date of each employee to May of each year for consideration in determining potential wage increases or other adjustments to be effective July 1<sup>st</sup>. The policy has been revised and will be discussed with the Executive Committee at the May 2007 meeting. Board approval will be requested after review by the Executive Committee.

Supervision requirements for therapists, as well as the other case management staff, were increased with the IV-B grant period beginning July 1, 2006. As noted, a clinical supervisor was hired in August 2006 to allow for more frequent meetings with therapists. Effective January 2007, a monthly calendar for individual and group supervision has been implemented. The weekly calendar requires all case management staff participate in an individual meeting with their supervisor during the 1<sup>st</sup> week of the month. During the 2<sup>nd</sup> and 3<sup>rd</sup> week of the month, staff participate in group or peer meetings with their supervisor. A program meeting that includes an educational component is held the 4<sup>th</sup> week of each month and all case management personnel are required to attend. To encourage participation and stress the importance of the additional guidance available, all case management personnel have the supervision requirement as part of their performance goals. In addition, support personnel are involved in the monitoring of employee attendance at the weekly meetings and ensuring that documentation is placed in the respective personnel files.



## Finding #2 – Client File Documentation

Substantial improvements were made over the past year as a result of increased awareness and monitoring of client file documentation. However, additional improvements as identified during the 2006 audit fieldwork are needed. We will continue to provide additional reminders and training during the upcoming year. Individual meetings will be held with those new to the Organization and those demonstrating difficulty in meeting the documentation requirements. In addition, technology enhancements are being implemented. A new software program that summarizes referrals, approved services, staff assignments, client interaction dates and notes is under development with a targeted implementation date of July 1, 2007. This database will also allow for earlier identification of missing documentation through the report options available and reduce the amount of manual involvement in accumulating client documents. In addition, the quality control process developed in 2005 will continue to be performed on a periodic basis to test open files for specific forms identified during the 2006 audit.

## Finding #3 – Accounting Policy and Procedures

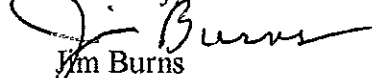
The need for an accounting policy and procedures manual is important to assist in the training and involvement of others in the accounting process. Various financial policies have been identified and several policies have been drafted. These policies will need to be reviewed to incorporate the present accounting staff structure and responsibilities of a full-time accountant. We will begin this process in the 3<sup>rd</sup> quarter of 2007 with the initial focus being on the development of accounting policies for review by the Finance Committee and recommendation to the Board of Directors for approval. Changes are anticipated as we implement the new software program for referrals and billing of case management services. Therefore, we will need to also revise job descriptions for each office position and identify the role each position has in the accounting process. The development of the accounting procedures manual will be a time intensive project and will likely continue into 2008. The benefits of this project will assist the entire Organization in understanding the accounting policies that have been established to guide the financial aspects of the Organization.

## Summary

FFI appreciates this opportunity to learn more about the audit process, including the clarification of specific contract requirements and suggestions for improvements in internal controls. With the addition of a new Accountant, increased attention to internal controls over both the program and accounting areas will be a primary focus.

Should you have any questions or require further information, please contact me at (219) 871-8104.

Sincerely,

  
Jim Burns  
Executive Director

Cc: Joseph Barkman, Jurgonski & Fredlake CPAs