



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35675

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 2, 2010

Board of Directors
Healthy Families of
Hamilton County, Inc.
1355 South 8th St.
Noblesville, IN 46060

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2005 to June 30, 2006. 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 Healthy Families of Hamilton County, Inc., as of June 30, 2006, 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.

STATE BOARD OF ACCOUNTS

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

June 30, 2006 and 2005

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

CONTENTS

	Page
FINANCIAL STATEMENTS	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-7
OTHER REPORTS AND SCHEDULES	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Schedule of Expenditures of Federal Awards	9
Notes to Schedule of Expenditures of Federal Awards	10
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	11-12
Schedule of Findings and Questioned Costs	13

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

Independent Auditors' Report

Board of Directors
Healthy Families of Hamilton County, Inc.

We have audited the accompanying statements of financial position of Healthy Families of Hamilton County, Inc. (an Indiana not-for-profit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses 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 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 also 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 Healthy Families of Hamilton County, Inc. at June 30, 2006 and 2005, 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.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 2, 2006, on our consideration of Healthy Families of Hamilton County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Healthy Families of Hamilton County, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 audits 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
November 2, 2006

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash	\$ 868	\$ 1,908
Accounts receivable-grants	50,992	55,794
Prepaid expenses	4,294	3,113
Property and equipment, net	<u>2,709</u>	<u>4,325</u>
TOTAL ASSETS	<u><u>\$ 58,863</u></u>	<u><u>\$ 65,140</u></u>
LIABILITIES		
Line of credit borrowings	\$ 45,263	\$ 45,941
Accounts payable	7,725	12,796
Accrued payroll and related liabilities	<u>25,047</u>	<u>15,864</u>
Total Liabilities	<u>78,035</u>	<u>74,601</u>
NET DEFICIT- UNRESTRICTED	<u>(19,172)</u>	<u>(9,461)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u><u>\$ 58,863</u></u>	<u><u>\$ 65,140</u></u>

See accompanying notes.

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2006 and 2005

	2006	2005
REVENUES AND SUPPORT - UNRESTRICTED		
Grants		
Parenting coalition funds	\$ 666,272	\$ 653,708
Contributions	9,901	3,447
In-kind contributions	22,962	15,199
Interest income	22,900	20,314
	<u>8</u>	<u>10</u>
Total Revenues and Support - Unrestricted	<u>722,043</u>	<u>692,678</u>
 EXPENSES		
Program services	687,546	645,912
Fundraising	34,641	44,946
Management and general	9,567	1,245
	<u>731,754</u>	<u>692,103</u>
Total Expenses	<u>731,754</u>	<u>692,103</u>
 INCREASE (DECREASE) IN NET ASSETS	(9,711)	575
 NET (DEFICIT)		
Beginning of Year	<u>(9,461)</u>	<u>(10,036)</u>
End of Year	<u>\$ (19,172)</u>	<u>\$ (9,461)</u>

See accompanying notes.

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2006 and 2005

	Program Services					
	Healthy Families		OFC Fund		Other Programs	
	State Grants					
	2006	2005	2006	2005	2006	2005
Personnel salaries	\$ 404,233	\$ 405,323	\$ 44,721	\$ 33,657		
Personnel fringe benefits	38,568	32,948				
Payroll taxes	32,830	32,487	2,463	2,448		
Contract services	9,988	1,831			\$ 4,600	\$ 4,480
Rents and utilities	45,949	37,658			400	500
Supplies	9,080	16,643			432	1,393
Telephone	13,526	13,300				593
Equipment	4,378	5,513				
Other costs	50,357	25,545			2,388	4,423
Travel	23,633	22,416				1,305
Depreciation						
Interest						3,449
TOTAL EXPENSES	<u>\$ 632,542</u>	<u>\$ 593,664</u>	<u>\$ 47,184</u>	<u>\$ 36,105</u>	<u>\$ 7,820</u>	<u>\$ 16,143</u>

See accompanying notes.

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

	2006	2005
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (9,711)	\$ 575
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,616	1,245
(Increase) decrease in certain assets:		
Accounts receivable	4,802	10,702
Prepaid expenses	(1,181)	(1,801)
Increase (decrease) in certain liabilities:		
Accounts payable	(5,071)	7,502
Accrued payroll and related liabilities	9,183	(11,324)
Net Cash Provided (Used) by Operating Activities	<u>(362)</u>	<u>6,899</u>
INVESTING ACTIVITIES		
Cash purchases of property and equipment		<u>(3,709)</u>
Net Cash (Used) by Investing Activities		<u>(3,709)</u>
FINANCING ACTIVITIES		
Net reduction of line of credit borrowings	<u>(678)</u>	<u>(5,833)</u>
Net Cash (Used) by Financing Activities	<u>(678)</u>	<u>(5,833)</u>
NET (DECREASE) IN CASH	(1,040)	(2,643)
CASH		
Beginning of Year	\$ 1,908	4,551
End of Year	<u>\$ 868</u>	<u>\$ 1,908</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 5,072	\$ 3,449

See accompanying notes.

<u>Program Services</u>		Fundraising		Management and General		Total	
<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
\$ 448,954	\$ 438,980	\$ 28,255	\$ 26,698			\$ 477,209	\$ 465,678
38,568	32,948		3,619			38,568	36,567
35,293	34,935	2,195	1,665			37,488	36,600
14,588	6,311					14,588	6,311
46,349	38,158					46,349	38,158
9,512	18,036	1,634				11,146	18,036
13,526	13,893	501				14,027	13,893
4,378	5,513					4,378	5,513
52,745	29,968	1,556	12,964	\$ 2,879		57,180	42,932
23,633	23,721	500				24,133	23,721
	3,449			1,616	\$ 1,245	1,616	1,245
				5,072		5,072	3,449
<u>\$ 687,546</u>	<u>\$ 645,912</u>	<u>\$ 34,641</u>	<u>\$ 44,946</u>	<u>\$ 9,567</u>	<u>\$ 1,245</u>	<u>\$ 731,754</u>	<u>\$ 692,103</u>

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Healthy Families of Hamilton County, Inc. (the Organization), an Indiana not-for-profit corporation, was established in 1997 to promote supportive environments that optimize child growth and development and encourage resilient and healthy families. The Organization receives substantially all of its funding from grants received from the State of Indiana.

Estimates: Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Financial Statement Presentation follows the requirements of 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. All funds over which the Organization's board of directors has discretionary control have been included in the unrestricted fund. No funds have been restricted by donors; therefore, no balances are reflected as temporarily or permanently restricted net assets.

Cash: The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from the bank accounts

Accounts Receivable are recorded at the estimated net realizable amount such that an allowance for uncollectible amounts is deemed by management to be unnecessary. Receivables are due from approved grants for services rendered and are usually collected by the twentieth day of the month following the provision of services.

Property and Equipment are recorded at cost and depreciated over estimated useful lives ranging from 5 to 7 years.

In-Kind Contributions: In addition to cash contributions, the Organization receives donated goods and services. Donations of services are recognized if the services received (a) create or enhance non-financial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods are recorded at estimated fair value. During the years ended June 30, 2006 and 2005, in-kind contributions aggregated \$ 22,900 and \$20,314, respectively.

Tax Status: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Accordingly, no provision for federal and state income taxes on revenue and income has been recorded in the financial statements.

Reclassifications: Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

NOTE 2 - LINE OF CREDIT

The Organization has a \$160,000 bank line of credit for short-term borrowings which mature on September 1, 2006. The interest rate is equal to the Bank's prime rate (8.25% at June 30, 2006). The line is secured by the Organization's accounts receivable, chattel paper, property and equipment and general intangibles. The outstanding balance at June 30, 2006 and 2005, was \$45,263 and \$45,941, respectively.

NOTE 3 - COMMITMENTS

The Organization leases its facility pursuant to a noncancellable operating lease. Rent expense incurred in connection with all long-term operating lease agreements aggregated \$43,243 and \$34,959 during the years ended June 30, 2006 and 2005, respectively.

Future minimum annual rental payments under noncancellable operating leases are as follows:

Payable In Year Ending June 30	Rental Payments
2007	\$ 41,233
2008	39,470
2009	37,800
2010	<u>6,300</u>
Total	<u>\$124,803</u>

NOTE 4 - RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA plan (the Plan) for all employees meeting certain Plan requirements. Plan participants may defer a percentage of their annual compensation up to \$7,000. The Organization makes a contribution to the Plan equal to 2% of compensation for each eligible employee. Participants' interest in employer contributions is 100% vested at all times. The Organization contributed \$8,078 and \$7,719 for the years ended June 30, 2006 and 2005, respectively.

NOTE 5 - CONCENTRATION

The Organization received 91.5% in fiscal year 2006 and 88.5% in fiscal year 2005 of its total revenues and support from one Federal grant.

*Independent Auditors' 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*

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

Year Ended June 30, 2006

Board of Directors
Healthy Families of Hamilton County, Inc.

We have audited the financial statements of Healthy Families of Hamilton County, Inc. (an Indiana not-for-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon, dated November 2, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Healthy Families of Hamilton County Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthy Families of Hamilton County, Inc.'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*.

This report is intended solely for the information and use of the board of directors, management 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.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
November 2, 2006

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

	CFDA Number	Pass-Through Grantor's Number	Grant Period	Revenue Recognized	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Indiana Family and Social Service Administration					
Healthy Families Indiana Project	93.558	29-5-60-1578	9/1/04-8/31/06	<u>\$ 660,730</u>	<u>\$ 660,730</u>
TOTAL FEDERAL AWARDS				<u>\$ 660,730</u>	<u>\$ 660,730</u>

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

*Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program and on
Internal Control over Compliance
in Accordance with OMB Circular A-133*

Year Ended June 30, 2006

Board of Directors
Healthy Families of Hamilton County, Inc.

Compliance

We have audited the compliance of Healthy Families of Hamilton County, Inc. (an Indiana not-for-profit organization) 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 each of its major federal programs for the year ended June 30, 2006. Healthy Families of Hamilton County, 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 Healthy Families of Hamilton County, Inc.'s management. Our responsibility is to express an opinion for the year ended June 30, 2006, on Healthy Families of Hamilton County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Healthy Families of Hamilton County, 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 on Healthy Families of Hamilton County, Inc.'s compliance with those requirements.

In our opinion, Healthy Families of Hamilton County, 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 June 30, 2006.

Internal Control over Compliance

The management of Healthy Families of Hamilton County, 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 Healthy Families of Hamilton County, 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management 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.

Katy Agnew Niles, LLP

Indianapolis, Indiana
November 2, 2006

HEALTHY FAMILIES OF HAMILTON COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

SUMMARY OF AUDITOR'S RESULTS

Katz, Sapper & Miller, LLP has issued an unqualified opinion on the statement of financial position of Healthy Families of Hamilton County, Inc. as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended.

Katz, Sapper & Miller, LLP has also issued an unqualified opinion on the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of Healthy Families of Hamilton County, Inc.'s major federal programs for the year ended June 30, 2006.

For the year ended June 30, 2006, there were no audit findings to report under OMB Circular No. A-133.

Healthy Families of Hamilton County, Inc. has one major program:

U.S. Department of Health and Human Services, Temporary Assistance for Needy Families Grant, CFDA#93.558

The dollar threshold used to distinguish between type A and type B programs was \$300,000.

The auditee qualified as a low risk auditee.