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AN EQUAL OPPORTUNITY EMPLOYER

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February 15, 2010

Board of Directors  
Child Advocacy Center of Allen County, Inc.  
800 Broadway St., Ste. 320  
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Haines, Isenbarger & Skiba, LLC, 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 Child Advocacy Center of Allen County, 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.

STATE BOARD OF ACCOUNTS

Financial Statements

**CHILD ADVOCACY CENTER OF ALLEN COUNTY, INC.**

*Years ended December 31, 2007 and 2006  
with Report of Independent Auditors*

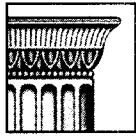
Child Advocacy Center of Allen County, Inc.

Financial Statements

Years ended December 31, 2007 and 2006

**Contents**

|  |   |
|--|---|
| Report of Independent Auditors.....                      | 1 |
| Financial Statements                                     |   |
| Statements of Financial Position.....                    | 2 |
| Statements of Activities and Changes in Net Assets ..... | 3 |
| Statements of Functional Expenses .....                  | 4 |
| Statements of Cash Flows.....                            | 5 |
| Notes to Financial Statements.....                       | 6 |



HAINES, ISENBARGER & SKIBA, LLC

ATTORNEYS AT LAW

## Report of Independent Auditors

The Board of Directors  
Child Advocacy Center of Allen County, Inc.

We have audited the accompanying statement of financial position of Child Advocacy Center of Allen County, Inc. as of December 31, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Child Advocacy Center of Allen County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Child Advocacy Center of Allen County, Inc. for the year ended December 31, 2006, were audited by another auditor whose report dated May 18, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in 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 audit provides 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 Child Advocacy Center of Allen County, Inc. at December 31, 2007 and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Haines, Isenbarger & Skiba, LLC*

July 22, 2008

Child Advocacy Center of Allen County, Inc.

Statements of Financial Position

|  | <b>December 31</b>       |                          |
|--|--------------------------|--------------------------|
|  | <b>2007</b>              | <b>2006</b>              |
| <b>Assets</b>                              |                          |                          |
| Current assets:                            |                          |                          |
| Cash and cash equivalents                  | \$ 86,884                | \$ 45,816                |
| Grants and program service fees receivable | 9,578                    | 38,934                   |
| Prepaid expenses                           | 2,947                    | 1,500                    |
| Total current assets                       | <u>99,409</u>            | <u>86,250</u>            |
| <br>                                       |                          |                          |
| Furniture and equipment                    | 19,769                   | 19,769                   |
| Leasehold improvements                     | 46,824                   | 46,824                   |
|  | <u>66,593</u>            | <u>66,593</u>            |
| Less accumulated depreciation              | 39,888                   | 33,942                   |
|  | <u>26,705</u>            | <u>32,651</u>            |
| Total assets                               | <u><u>\$ 126,114</u></u> | <u><u>\$ 118,901</u></u> |
| <br>                                       |                          |                          |
| <b>Liabilities and net assets</b>          |                          |                          |
| Current liabilities:                       |                          |                          |
| Accounts payable                           | \$ 973                   | \$ -                     |
| Accrued expenses                           | 847                      | 3,849                    |
| Total current liabilities                  | <u>1,820</u>             | <u>3,849</u>             |
| <br>                                       |                          |                          |
| Net assets—unrestricted                    | <u>124,294</u>           | <u>115,052</u>           |
| Total liabilities and net assets           | <u><u>\$ 126,114</u></u> | <u><u>\$ 118,901</u></u> |

Child Advocacy Center of Allen County, Inc.

Statements of Activities and Changes in Net Assets

|  | <b>Year ended December 31</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>2007</b>                   | <b>2006</b>       |
| <b>Revenue, support, and other income</b>                              |                               |                   |
| Contributions:   |                               |                   |
| Corporations and foundations   | \$ 29,180                     | \$ 21,500         |
| Individuals  | 1,562                         | 11,613            |
| The National Children's Alliance                                       | 10,000                        | 10,000            |
|  | <u>40,742</u>                 | <u>43,113</u>     |
| Government grants—Victims of Crime Act (VOCA) Victims Assistance Grant | 34,896                        | 33,286            |
| Program service fees   | 85,910                        | 80,708            |
| Interest income  | 1,763                         | 1,163             |
| Miscellaneous  | -                             | 3,037             |
| Total revenue, support, and other income                               | <u>163,311</u>                | <u>161,307</u>    |
| <b>Expenses</b>  | <b>147,849</b>                | <b>135,891</b>    |
| Program services   |                               |                   |
| Support services and administration:                                   |                               |                   |
| Management and general   | 5,025                         | 3,562             |
| Fundraising  | 1,195                         | -                 |
| Total support services and administration                              | <u>6,220</u>                  | <u>3,562</u>      |
| Total expenses   | <u>154,069</u>                | <u>139,453</u>    |
| <b>Increase in net assets</b>  | <b>9,242</b>                  | <b>21,854</b>     |
| Net assets at beginning of year  | 115,052                       | 93,198            |
| Net assets at end of year  | <u>\$ 124,294</u>             | <u>\$ 115,052</u> |

Child Advocacy Center of Allen County, Inc.

Statements of Functional Expenses

|                                    | 2007                                |                        |                            |                  |                        |                            | 2006                                |                        |                            |                  |                        |                            |
|------------------------------------|-------------------------------------|------------------------|----------------------------|------------------|------------------------|----------------------------|-------------------------------------|------------------------|----------------------------|------------------|------------------------|----------------------------|
|                                    | Support Services and Administration |                        |                            | Total Support    |                        |                            | Support Services and Administration |                        |                            | Total Support    |                        |                            |
|                                    | Program Services                    | Management and General | Fundraising Administration | Program Services | Management and General | Fundraising Administration | Program Services                    | Management and General | Fundraising Administration | Program Services | Management and General | Fundraising Administration |
| Administrative agent               | \$ 20,307                           | \$ 2,389               | \$ 1,195                   | \$ 23,891        | \$ 1,800               | \$ -                       | \$ 16,200                           | \$ 1,800               | \$ -                       | \$ 1,800         | \$ -                   | \$ 18,000                  |
| Bank charges                       | 21                                  | -                      | -                          | 21               | -                      | -                          | 22                                  | -                      | -                          | -                | -                      | 22                         |
| Continuing education               | 1,263                               | -                      | -                          | 1,263            | -                      | -                          | 840                                 | -                      | -                          | -                | -                      | 840                        |
| Contract services                  | 34,666                              | -                      | -                          | 34,666           | -                      | -                          | 33,593                              | -                      | -                          | -                | -                      | 33,593                     |
| Dues and subscriptions             | 605                                 | -                      | -                          | 605              | -                      | -                          | 530                                 | -                      | -                          | -                | -                      | 530                        |
| Equipment maintenance              | 1,366                               | -                      | -                          | 1,366            | -                      | -                          | 2,467                               | -                      | -                          | -                | -                      | 2,467                      |
| Equipment rental                   | 2,267                               | -                      | -                          | 2,267            | -                      | -                          | 3,781                               | -                      | -                          | -                | -                      | 3,781                      |
| Insurance                          | 1,688                               | -                      | -                          | 1,688            | -                      | -                          | 1,060                               | -                      | -                          | -                | -                      | 1,060                      |
| Meals                              | 1,821                               | -                      | -                          | 1,821            | -                      | -                          | 887                                 | -                      | -                          | -                | -                      | 887                        |
| Miscellaneous                      | 2,172                               | -                      | -                          | 2,172            | -                      | -                          | 78                                  | -                      | -                          | -                | -                      | 78                         |
| Occupancy                          | 18,184                              | -                      | -                          | 18,184           | -                      | -                          | 17,261                              | -                      | -                          | -                | -                      | 17,261                     |
| Parking                            | 1,190                               | -                      | -                          | 1,190            | -                      | -                          | 977                                 | -                      | -                          | -                | -                      | 977                        |
| Payroll taxes                      | 3,505                               | -                      | -                          | 3,505            | -                      | -                          | 2,970                               | -                      | -                          | -                | -                      | 2,970                      |
| Postage and delivery               | 927                                 | 103                    | -                          | 1,030            | 103                    | -                          | 338                                 | 38                     | -                          | 38               | -                      | 376                        |
| Printing                           | 621                                 | 69                     | -                          | 690              | 69                     | -                          | 1,024                               | 114                    | -                          | 114              | -                      | 1,138                      |
| Professional fees                  | 562                                 | 2,250                  | -                          | 2,812            | 2,250                  | -                          | 334                                 | 1,334                  | -                          | 1,334            | -                      | 1,668                      |
| Salaries and wages                 | 43,344                              | -                      | -                          | 43,344           | -                      | -                          | 41,218                              | -                      | -                          | -                | -                      | 41,218                     |
| Supplies                           | 1,930                               | 214                    | -                          | 2,144            | 214                    | -                          | 2,488                               | 276                    | -                          | 276              | -                      | 2,764                      |
| Telephone                          | 4,984                               | -                      | -                          | 4,984            | -                      | -                          | 3,848                               | -                      | -                          | -                | -                      | 3,848                      |
| Travel                             | 480                                 | -                      | -                          | 480              | -                      | -                          | 29                                  | -                      | -                          | -                | -                      | 29                         |
| Total expenses before depreciation | 141,903                             | 5,025                  | 1,195                      | 148,123          | 6,220                  | -                          | 129,945                             | 3,562                  | -                          | 3,562            | -                      | 133,507                    |
| Depreciation                       | 5,946                               | -                      | -                          | 5,946            | -                      | -                          | 5,946                               | -                      | -                          | -                | -                      | 5,946                      |
| Total expenses                     | \$ 147,849                          | \$ 5,025               | \$ 1,195                   | \$ 154,069       | \$ 6,220               | \$ -                       | \$ 135,891                          | \$ 3,562               | \$ -                       | \$ 3,562         | \$ -                   | \$ 139,453                 |

See accompanying notes.

Child Advocacy Center of Allen County, Inc.

Statements of Cash Flows

|  | <b>Year ended December 31</b> |                         |
|--|-------------------------------|-------------------------|
|  | <b>2007</b>                   | <b>2006</b>             |
| <b>Operating activities</b>  |                               |                         |
| Increase in net assets   | \$ 9,242                      | \$ 21,854               |
| Adjustments to reconcile increase in net<br>assets to net cash provided by operating activities: |                               |                         |
| Depreciation   | 5,946                         | 5,946                   |
| Changes in operating assets and liabilities:   |                               |                         |
| Grants and program service fees receivable   | 29,356                        | (22,023)                |
| Prepaid expenses   | (1,447)                       | -                       |
| Accounts payable   | 973                           | -                       |
| Accrued expenses   | (3,002)                       | 1,686                   |
| Net cash provided by operating activities<br>and increase in cash and cash equivalents           | <b>41,068</b>                 | <b>7,463</b>            |
| Cash and cash equivalents at beginning of year   | <b>45,816</b>                 | <b>38,353</b>           |
| Cash and cash equivalents at end of year   | <b><u>\$ 86,884</u></b>       | <b><u>\$ 45,816</u></b> |

# Child Advocacy Center of Allen County, Inc.

## Notes to Financial Statements

December 31, 2007

### **1. Organization**

The mission of the Child Advocacy Center of Allen County, Inc. (CAC) is:

*To provide neutral, child-friendly, forensic interviews and inter-agency comprehensive assessments of reported child sexual abuse victims.*

The CAC is a non-profit collaborative effort of local agencies to combat the complexities of investigating child sexual abuse. The CAC provides a neutral, all-inclusive location where law enforcement, child protection service workers, forensic nurses, victim advocates and prosecutors work in cooperation to investigate allegations of child sexual abuse. The CAC stresses coordination of services by bringing together these agencies as a multi-disciplinary team to create a comprehensive, child-focused approach to cases involving child maltreatment; ensuring that the child is not re-victimized by the very system which was designed to protect them. The CAC offers consistent and compassionate support for the victims and their families.

The CAC has created the only one of its kind partnership in Allen County that works together to affect justice for these children. The Allen County Sheriff's Department, Fort Wayne Police Department, New Haven Police Department, Child Protection Services, The Fort Wayne Sexual Assault Treatment Center, Victim Assistance, SCAN (Stop Child Abuse and Neglect), and the Allen County Prosecutor's Office ensures that we will provide a non-duplicative multi-disciplinary team to comprehensively meet the needs of child sexual abuse victims.

The CAC is accredited as a Full-Member of The National Children's Alliance (NCA), which reviews and accredits child advocacy centers nationally.

The CAC is a not-for-profit organization, exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50 percent charitable contributions limitation. The CAC has been classified as an organization that is not a private foundation under the provisions of Section 509(a)(1) of the Internal Revenue Code.

### **2. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The CAC maintains cash accounts at a local bank. From time to time during the year, the CAC's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded.

Child Advocacy Center of Allen County, Inc.

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Furniture and Equipment and Leasehold Improvements**

Furniture and equipment and leasehold improvements are stated at cost or, if donated, at fair market value at date of donation, except for furniture and equipment and leasehold improvements that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of December 31, 2007 and 2006. The cost of furniture and equipment and leasehold improvements purchased in excess of \$500 is capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

|                         |          |
|-------------------------|----------|
| Furniture and equipment | 7 years  |
| Leasehold improvements  | 15 years |

Expenses for normal repairs and maintenance are charged to expense as incurred.

**Net Assets**

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. The CAC has received certain net assets which have been designated by the donor for specific purposes, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the CAC pursuant to those stipulations. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently but permits the CAC to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. As of December 31, 2007 and 2006, the CAC had no temporarily or permanently restricted net assets. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

**Contributions and Pledges Receivable**

Contributions, including gifts, grants, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use. In the case of temporarily restricted

# Child Advocacy Center of Allen County, Inc.

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **Contributions and Pledges Receivable (continued)**

support, when the stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year the contributions are received are classified as unrestricted contributions.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of time in providing the CAC's services; however, because the majority of donated services do not meet accounting guidelines, only limited amounts have been reported in the financial statements.

The CAC provides an allowance for doubtful accounts which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables. As of December 31, 2007 and 2006, no allowance for doubtful accounts was deemed necessary.

#### **Government Grants**

Government grants are recognized as the CAC performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The government grants were received from the Indiana Criminal Justice Institute pursuant to a Victims of Crime Act (VOCA) Victims Assistance Grant, which was made possible by U.S. Department of Justice, Office of Justice Programs, Office of Victims of Crime.

Child Advocacy Center of Allen County, Inc.

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Program Service Fees**

The Indiana Department of Child Services pays the CAC for case management and forensic interview services. Case management services include coordinating the scheduling and interview by being the contact person for all agencies involved, as well as the family. The CAC recognizes revenue upon delivery of these services.

**Functional Allocation of Expenses**

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

**Use of Estimates**

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

**Reclassifications**

Certain amounts as of and for the year ended December 31, 2006 have been reclassified to conform with the presentation as of and for the year ended December 31, 2007. The reclassifications had no impact on net assets as of December 31, 2006 or increase in net assets for the year then ended.

Child Advocacy Center of Allen County, Inc.

Notes to Financial Statements (continued)

**3. Commitments**

The CAC leases office space using an operating lease expiring in 2010. Future minimum payments under the noncancelable operating lease with initial terms of one year or more consisted of the following at December 31, 2007:

|      |                  |
|------|------------------|
| 2008 | \$ 17,364        |
| 2009 | 17,364           |
| 2010 | <u>4,341</u>     |
|      | <u>\$ 39,069</u> |

Rent expense was \$18,184 in 2007 and \$17,261 in 2006.

The CAC and SCAN, Inc. have entered into an agreement whereby SCAN, Inc. will serve as administrative agent for the CAC from January 1, 2007 through December 31, 2008. In conjunction with this agreement and the prior agreement, CAC paid SCAN, Inc. \$23,891 in 2007 and \$18,000 in 2006 for general management, human resource, fiscal management, and other services. The CAC has agreed to pay SCAN, Inc. \$23,881 in 2008 for these services.

Report to the Board of Directors of

# Child Advocacy Center of Allen County, Inc.

## Audit Results and Communications

Year ended December 31, 2007

August 26, 2008

Submitted by:



HAINES, ISENBARGER & SKIBA, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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



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

August 26, 2008

Board of Directors  
Child Advocacy Center of Allen County, Inc.

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the financial statements of Child Advocacy Center of Allen County, Inc. (Child Advocacy Center) for the year ended December 31, 2007. The financial statements were the responsibility of management, and we expressed an opinion on those financial statements based on our audit procedures concerning their conformity with accounting principles generally accepted in the United States. We conducted the audit with the objectivity and independence that the entire Board of Directors expect.

In prior meetings with the management of SCAN (which serves as the administrative agent for Child Advocacy Center), we discussed the scope of our engagement, the report we intended to issue and areas of audit emphasis. We considered Child Advocacy Center's current and emerging business needs, actual or pending transactions of significance, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We received excellent support and timely assistance from SCAN's personnel.

This Report to the Board of Directors summarizes the completion of our audit, presents our report on internal control, discusses our Board of Directors communications suggested by auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA), and presents other information. As requested, we will also walk through the financial statements with you, focusing on Child Advocacy Center's financial condition and results of operations and what the Board of Directors should be focusing on when reviewing the financial statements of nonprofit organizations.

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

Very truly yours,

Thomas J. Skiba  
Partner



# Child Advocacy Center

## Audit Results and Communications

- Audit communications (*included herein*).
- Discuss financial statements and reporting thereon.
- Communicating internal control matters identified in an audit.
- By-products of the audit process—improvements in internal controls and operating procedures, improved internal and external financial reporting, discussion of best practices, and an ongoing external resource for management.
- The key accounting literature applicable to nonprofit organizations such as Child Advocacy Center includes:
  - FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*.
  - FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.
  - FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.
  - FASB Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*.
- New auditing standards (*audit documentation, risk assessments, communicating internal control matters, auditors' communication with those charged with governance*).
- Governance and regulatory oversight:
  - State Board of Accounts
  - Internal Revenue Service
  - Sarbanes-Oxley Act
  - Federal and State Governments

Child Advocacy Center provides for the operation of a child protection facility for the children and families of Allen County, Indiana. Child Advocacy Center offers a non-threatening, child-friendly location where expert forensic interviews take place, including cases where child sexual abuse has been alleged.



## Child Advocacy Center

### **Our scope of services included the following items:**

- Audit of the financial statements of Child Advocacy Center, Inc. for the year ended December 31, 2007, including our expressing an opinion on the fairness, in all material respects, of the presentation of the financial statements in conformity with accounting principles generally accepted in the United States.
- Communicate fraud, errors, and illegal acts, if any, on a timely basis.
- Provide recommendations to management to improve controls and operating procedures.
- Communicate audit results and provide other observations to the Board of Directors.
- SCAN management will prepare Federal Form 990, *Return of Organization Exempt from Income Tax*, and Indiana Department of Revenue Form NP-20, *Indiana Nonprofit Organization's Annual Report for the Calendar Year or Fiscal Year*, for the year ended December 31, 2007 and personal property tax returns.



## Child Advocacy Center

### **The areas of audit emphasis included the following:**

- Cash and cash equivalents
- Grants, pledges, and other receivables and collectibility thereof
- Furniture and equipment and leasehold improvements, including impairment issues and depreciation related thereto
- Other current assets and liabilities, including accounts payable and accrued expenses
  
- Accounting for temporarily and permanently restricted net assets, earnings thereon, and compliance with and satisfaction of restrictions and requirements imposed by the donor
- Contributions, including compliance with terms and conditions of individual donors and other grants
- Grants from governmental agencies, including compliance with terms and conditions therein
- Compensation and other employee benefits
  
- Program expenses, including compliance with terms and conditions of grants
- Other significant income and expenses
- Functional classification of expenses
- Commitments, contingencies, and related party accounts and transactions
- Financial reporting, including accounting presentation and disclosure requirements



# Child Advocacy Center

## Required Communications

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

| Area  | Comments  |
|---|---|
| <b>Auditors' Responsibilities under United States Generally Accepted Auditing Standards (GAAS)</b>  |   |
| <ul style="list-style-type: none"><li>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We have a responsibility to opine on whether the financial statements are fairly stated in accordance with accounting principles generally accepted in the United States. As part of our audit, we obtained a sufficient understanding of internal controls to plan our audit and to determine the nature, timing, and extent of testing performed.</li></ul> | <ul style="list-style-type: none"><li>We have issued an unqualified opinion on Child Advocacy Center's financial statements for the year ended December 31, 2007. The management of SCAN has acknowledged its responsibility for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the financial statements. SCAN management and the Board of Directors are also responsible for identifying and ensuring that Child Advocacy Center complies with the laws and regulations applicable to its activities. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</li></ul> |
| <b>Significant Accounting Policies</b>  |   |
| <ul style="list-style-type: none"><li>Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.</li></ul>   | <ul style="list-style-type: none"><li>There were no initial selections of, or changes in, the application of accounting and reporting standards in the current year. Newly issued accounting standards had minimal impact on the financial statements.</li></ul>  |



# Child Advocacy Center

## Required Communications (continued)

| Area   | Comments  |
|--|---|
| <b>Our Judgments About the Quality and Acceptability of Significant Accounting Principles</b>                                      | <ul style="list-style-type: none"><li>• Child Advocacy Center’s accounting policies were appropriate, consistently applied and properly (clearly) disclosed. Child Advocacy Center has properly accounted for donor provided funds.</li></ul>   |
| <b>Management Judgments and Accounting Estimates</b>   | <ul style="list-style-type: none"><li>• Methodologies used and evidence considered has lead to reasonable estimates and disclosures in the financial statements. Estimates include the useful lives of property and equipment, receivable allowances, and certain accrued expenses.</li></ul> |
| <b>Recorded and Unrecorded Audit Adjustments</b>   | <ul style="list-style-type: none"><li>• There were no recorded adjustments or unadjusted audit differences.</li></ul>   |
| <b>Significant Risks and Expenses and Uncertainties, such as pending litigation that are disclosed in the financial statements</b> | <ul style="list-style-type: none"><li>• None</li></ul>  |
| <b>Disagreements with Management on Financial Accounting, Reporting, and Compliance Matters</b>                                    | <ul style="list-style-type: none"><li>• None</li></ul>  |



# Child Advocacy Center

## Required Communications (continued)

| Area  | Comments  |
|---|---|
| <b>Significant Issues Discussed with Management, including those in connection with the initial or recurring retention of Haines, Isenbarger &amp; Skiba, LLC as auditors</b> | <ul style="list-style-type: none"><li>• None</li></ul>  |
| <b>Consultation with Other Accountants</b>  | <ul style="list-style-type: none"><li>• None of which we are aware.</li></ul>   |
| <b>Significant Difficulties During the Audit</b>  | <ul style="list-style-type: none"><li>• None. Management was very cooperative and we had access to all records and documents necessary to perform the audit procedures.</li></ul>   |
| <b>Fraud and Illegal Acts</b>   | <ul style="list-style-type: none"><li>• We are not aware of any instances of fraud or illegal acts.</li></ul>   |
| <b>Material Weaknesses in Internal Controls</b>   | <ul style="list-style-type: none"><li>• We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.</li></ul>  |
| <b>Compliance and Other Matters</b>   | <ul style="list-style-type: none"><li>• As part of obtaining reasonable assurance about whether Child Advocacy Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported.</li></ul> |



## Child Advocacy Center

### Required Communications (continued)

| Area   | Comments   |
|--|--|
| <b>Interim Financial Information and Internal Controls</b> | <ul style="list-style-type: none"><li>• We are not required to and do not perform timely quarterly reviews as required by Auditing Standards as they relate to publicly-owned companies.</li></ul>   |
| <b>Auditor Independence</b>                                | <ul style="list-style-type: none"><li>• We are not aware of any relationships between Haines, Isenbarger &amp; Skiba, LLC and Child Advocacy Center that, in our professional judgment, may reasonably be thought to bear on our independence. Relating to our audit of Child Advocacy Center, we are independent certified public accountants with respect to Child Advocacy Center within the meaning of the applicable published pronouncement of the AICPA Independence Standards.</li></ul> |

### Consideration of Fraud in a Financial Statement Audit

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



## Child Advocacy Center

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

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

From January 2005 through spring 2006 the ASB issued 11 new SASs.

- SAS No. 102, *Defining Professional Requirements in Statements on Auditing Standards*
- SAS No. 103, *Audit Documentation*

#### ***SAS No. 102, Defining Professional Requirements in Statements on Auditing Standards***

SAS No. 102 defines the terminology the ASB will use to describe the degrees of responsibility that the requirements impose on the auditor. SAS No. 102 was developed to provide clarifying guidance about the use of terms such as “must,” “is required” and “should” in professional standards.

SAS No. 102 defines two categories of professional requirements:

- *Requirements*—These relate to situations where the auditor is required to comply with the provisions within the standards (i.e., departure from *requirements* is not allowed). A “requirement” is indicated by the words *must* or *is required* in professional standards.
- *Presumptive requirements*—These relate to situations where the auditor is required to comply with the provisions within the standards unless the auditor or practitioner can justify departure. To depart from a presumptive requirement, the auditor must (1) perform alternative procedures that achieve the objectives of the presumptive requirement and (2) document the reason for the departure and how alternative procedures achieved the objectives of the presumptive requirement. The work *should* indicate a presumptive requirement.

SAS No. 102 adds a requirement that the auditor document his or her justification for departures from SASs.



## Child Advocacy Center

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

The ASB believes that by defining the levels of responsibilities, auditing standards will be clarified, thereby assisting auditors with their work and improving the quality of audit engagements.

This SAS, which was issued in December 2005, was effective upon issuance.

#### **SAS No. 103, *Audit Documentation***

This SAS establishes standards and guidance to an auditor on audit documentation for audits of financial statements or other financial information being reported on.

The ASB issued SAS No. 103 due to the fact that issues surrounding audit documentation continue to be discussed resulting from events surrounding recent financial reporting scandals, which occurred after the issuance of existing guidance in SAS No. 96, *Audit Documentation*. Some state regulators and government auditors seek more uniformity in the presentation, filing, and retention of audit documentation of non-public company audits.

In developing SAS No. 103, the ASB considered the documentation requirements in Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 3, *Audit Documentation*, the International Auditing and Assurance Standards Board's ISA 230 (revised), *Audit Documentation* (issued in September 2005), suggestions received from the National Association of State Boards of Accountancy, and *Government Auditing Standards*. As a result, the requirements of this SAS are similar, in most respects, to the requirements of PCAOB Auditing Standard No. 3 and ISA 230 (revised).

This SAS does not apply to audits of financial statements included in annual reports of entities, other than registered investment companies, that file an annual report with the Securities and Exchange Commission.

SAS No. 103 is significantly more specific than SAS No. 96. The SAS—

- Uses an “experienced auditor” as a reference point. An experienced auditor is defined as an individual who possesses the competencies and skills that would have enabled him or her to perform the audit and therefore has an understanding of audit procedures and of auditing and reporting issues relevant to the industry in which the entity operates.



## Child Advocacy Center

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

- Requires the auditor to consider, when preparing audit documentation, the needs of an experienced auditor having no previous connection with the audit to understand the procedures performed, the evidence obtained, and specific conclusions reached.
- Lists factors that the auditor should consider in determining the nature and extent of the audit documentation.
- Requires the auditor to record (a) who performed the audit work and the date of such work and (b) who reviewed specific audit documentation and the date of such review.
- Guides the auditor on how to proceed when making further changes to audit documentation after the delivery of the auditor's report.
- Requires that the auditor assemble the audit documentation to form the final engagement file within 60 days following the delivery of the auditor's report to the entity. After this date, the SAS requires the auditor not to delete or discard existing audit documentation, and to appropriately document any subsequent additions.
- Requires the auditor to document audit evidence that is identified as being contradictory or inconsistent with the final conclusions, and how the auditor addressed the contradiction or inconsistency.
- States that oral explanations on their own do not represent sufficient support for the work the auditor performed or conclusions reached, but may be used by the auditor to clarify or explain information contained in the audit documentation.
- Specifies a minimum file retention period that is ordinarily not expected to be shorter than five years from the date of the auditor's report (unless state statutes require longer retention periods).
- Requires the auditor to document his or her justification for a departure from the SASs in the auditor's working papers, including documentation of how alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.
- Requires that the auditor's report not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements.



## Child Advocacy Center

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

SAS No. 103 requires the auditor to document significant findings or issues, actions taken to address them, and the basis for the final conclusions reached. The documentation should include evidence of discussions of significant findings or issues with management and others on a timely basis, including responses.

This SAS, which was issued in December 2005, was effective for audits of financial statements for periods ending on or after December 15, 2006. Early application was permissible.

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

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

The eight new Risk Assessment SASs include the following:

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



## Child Advocacy Center

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

7. SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
8. SAS No. 111, *Amendment to SAS No. 39, Audit Sampling*

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

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

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

- *Expand the quality and depth of the auditor's required understanding of the entity and its environment, including its internal control*—The standards require the auditor to obtain an understanding of a significantly expanded set of information about specific elements of the entity and its environment. The purpose of the required understanding of this broadened set of information about the client and its environment is to enhance the auditor's ability to identify and assess risks that may lead to material misstatements in the financial statements. The auditor is required to perform risk assessment procedures in all audits to obtain an understanding, including updated information obtained in prior audits that the auditor intends to use in the current audit. The expanded understanding about the client and its environment should also be helpful to the auditor throughout the audit when making judgments about materiality and when critically evaluating audit evidence.
- *Requires the auditor to assess the risks of material misstatements at the financial statement level and at the assertion level on all audits based on the understanding obtained*—The new SASs note that assessing risks of material misstatements encompasses a combined assessment of inherent risk and control risk. The new SASs



## Child Advocacy Center

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

eliminate the auditor's ability to assess "risk at the maximum" without support for that assessment. Thus, auditors will be required to support all risk assessments at whatever level, including risks at the maximum, based on their understanding of the entity and its environment. In addition, the new SASs require the auditor to identify "significant risks" (defined later in this chapter) that require special audit consideration, and risks for which substantive procedures alone will not reduce audit risk to an appropriate level.

- *Eliminates the "default to maximum" for control risk, which should encourage testing of controls*—Auditors will no longer be able to assess control risk "at the maximum" without support for that assessment. Thus, that kind of audit approach can no longer be used as a default audit strategy. Instead, auditors must document the basis for a control risk at maximum assessment. The ASB believes this will encourage the testing of controls in all audits. In addition, the new SASs expand the auditor's requirement to understand internal controls in every audit by also requiring the auditor to evaluate the design of controls, including relevant control procedures over "significant risks," and to determine whether those control procedures have been implemented.
- *Emphasizes importance of the entity's risk assessment process*—The new SASs emphasize that when the auditor identifies potential risks of material misstatements in the financial statements, it is important for the auditor to consider the entity's risk assessment process. To assist the auditor with this consideration, the new SASs discuss how the entity's risk assessment process fits in with the entity's process of setting objectives and strategies and assessing related business risks. When the auditor identifies risks of material misstatements that the entity's risk assessment processes failed to detect, the new SASs require the auditor to consider why the process failed and whether the process is appropriate in the circumstance.
- *Strengthens the linkage between assessed risks and the auditor's responses to those risks*—Because auditors frequently struggle with designing an appropriate audit response to risks identified, the new SASs contain expanded guidance designed to significantly improve the auditor's ability to effectively address the identified risks. Auditors are required to determine both an overall response to address the risks of material misstatements at the financial statement level and a response to assess risks of material misstatements at the assertion level. The new guidance emphasizes the importance of the nature of the audit procedures in responding to assessed risks. The new SASs also require the auditor to perform substantive procedures for "significant risks." These



## Child Advocacy Center

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

substantive procedures consist of tests of details alone or tests of details combined with substantive analytical procedures that are specifically responsive to the identified risks. If the auditor plans to rely on the operating effectiveness of controls to mitigate a significant risk, the auditor is required to obtain all evidence about the operating effectiveness of those controls from tests of controls performed in the current period (i.e., cannot conclude that they are operating effectively based on tests of controls performed in prior audits when the auditor also determined the controls did not change since that testing).

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



## Child Advocacy Center

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

#### Overview of AICPA Auditing Standards Board

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

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

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

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

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



## Child Advocacy Center

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

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

- Act as the profession's voice on auditing standards as they relate to audits of nonpublic entities, and when commenting on the proposed standards of other auditing standards setters, including the GAO, IAASB, and the PCAOB.
- Serve as the profession's think tank on the strategic direction of auditing standards.
- Work closely with the IAASB and consider how changes in international standards affect U.S. auditing standards for nonpublic entities.
- Assist in rebuilding the public's trust in the CPA's audit report.
- Commission research that will continuously improve the auditing profession.
- Address, in a timely manner, the needs of users of nonpublic entity financial statements.
- Promulgate audit, attest, and quality control standards for engagements involving nonpublic entities.
- Issue clear authoritative guidance for auditors of nonpublic entities.
- Work with the AICPA staff to develop nonauthoritative guidance for practitioners serving the public, nonpublic, government, nonprofit, and for-profit entities.



# Child Advocacy Center

## Report on Internal Controls

Board of Directors  
Child Advocacy Center, Inc.

Board Members:

In planning and performing our audit of the financial statements of Child Advocacy Center of Allen County, Inc. (Child Advocacy Center) 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 Child Advocacy Center'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 Child Advocacy Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Child Advocacy Center'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.

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 entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and the Board of Directors of Child Advocacy Center, and is not intended to be and should not be used by anyone other than these specified parties.

*Haines, Isenbarger & Skiba, LLC*

July 22, 2008