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March 29, 2017

Board of Directors  
Family Works, Inc.  
3266 N. Meridian Street  
Suite 802  
Indianapolis, IN 46208

We have reviewed the audit report prepared by Haywood Henn, for the period January 1, 2015 to December 31, 2015. 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 Family Works, Inc., as of December 31, 2015, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**FAMILY WORKS, INC.**

**AUDITED FINANCIAL STATEMENTS  
MODIFIED CASH BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of assets, liabilities and deficit - modified cash basis	2
Statements of revenues, expenses and retained deficit - modified cash basis	3
Statements of cash flows - modified cash basis	4
Notes to financial statements	5 - 8
SUPPLEMENTARY INFORMATION	
Schedule I - direct program expenses - modified cash basis	9
Schedule II - general and administrative expenses - modified cash basis	10
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS	11
EXIT CONFERENCE	12

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Family Works, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Family Works, Inc., which comprise the statements of assets, liabilities, and deficit - modified cash basis as of December 31, 2015 and 2014, and the related statements of revenues, expenses and retained deficit - modified cash basis and statements of cash flows - modified cash basis for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Family Works, Inc. as of December 31, 2015 and 2014, and the results of operations for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

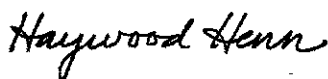
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to above as a whole. Schedules I and II on pages 9 and 10 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Matter**

We have also issued a report dated September 26, 2016 on our consideration of Family Works, Inc.'s internal control structure and on its compliance with laws and regulations. This report can be found on page 11.



September 26, 2016  
Indianapolis, Indiana

FAMILY WORKS, INC.  
 STATEMENTS OF ASSETS, LIABILITIES AND DEFICIT - MODIFIED CASH BASIS  
 December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	<u>\$ 41,493</u>	<u>\$ 42,417</u>
TOTAL CURRENT ASSETS	41,493	42,417
PROPERTY AND EQUIPMENT		
Machinery and equipment	<u>72,950</u>	<u>59,734</u>
	72,950	59,734
Less accumulated depreciation	<u>(68,206)</u>	<u>(54,822)</u>
	<u>4,744</u>	<u>4,912</u>
	<u>\$ 46,237</u>	<u>\$ 47,329</u>

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 20,000	\$ 24,790
Credit card payable	28,743	20,472
Payroll tax liability payable	-	3,894
Pension liability payable	14,304	12,554
Payroll liability payable	<u>33,906</u>	<u>30,936</u>
TOTAL CURRENT LIABILITIES	96,953	92,646
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, 1,500 shares, no par value, authorized, issued, and outstanding	1,500	1,500
Retained deficit	<u>(52,216)</u>	<u>(46,817)</u>
	<u>(50,716)</u>	<u>(45,317)</u>
	<u>\$ 46,237</u>	<u>\$ 47,329</u>

See accompanying notes and auditor's report.

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FAMILY WORKS, INC.  
 STATEMENTS OF REVENUES, EXPENSES AND RETAINED DEFICIT - MODIFIED CASH BASIS  
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
PROGRAM REVENUES	\$ 1,642,728	\$ 1,530,983
OPERATING EXPENSES		
Direct program expense	1,177,775	1,079,963
General & administrative expense	<u>355,890</u>	<u>305,839</u>
INCOME FROM OPERATIONS	109,063	145,181
OTHER INCOME (EXPENSE)		
Interest income	3	3
Interest expense	<u>(6,024)</u>	<u>(6,114)</u>
	<u>(6,021)</u>	<u>(6,111)</u>
NET INCOME	103,042	139,070
BEGINNING RETAINED DEFICIT	(46,817)	(13,425)
Distributions	<u>(108,441)</u>	<u>(172,462)</u>
ENDING RETAINED DEFICIT	<u>\$ (52,216)</u>	<u>\$ (46,817)</u>

See accompanying notes and auditor's report.

FAMILY WORKS, INC.  
 STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,642,728	\$ 1,530,983
Cash paid to suppliers and employees	(1,511,184)	(1,379,828)
Interest received	3	3
Interest paid	<u>(6,024)</u>	<u>(6,114)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	125,523	145,044
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(13,216)</u>	<u>(6,744)</u>
NET CASH USED BY INVESTING ACTIVITIES	(13,216)	(6,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit	-	-
Repayments on line of credit	(4,790)	(12,210)
Repayments on stockholder loan	-	-
Distributions to stockholder	<u>(108,441)</u>	<u>(172,462)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(113,231)</u>	<u>(184,672)</u>
NET (DECREASE) INCREASE IN CASH	(924)	(46,372)
NET CASH AT BEGINNING OF YEAR	<u>42,417</u>	<u>88,789</u>
NET CASH AT END OF YEAR	<u>\$ 41,493</u>	<u>\$ 42,417</u>

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 103,042	\$ 139,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,384	6,912
Increase (decrease) in:		
Credit card liability	8,271	10,714
Payroll tax liability	1,750	5,829
Payroll liability	2,970	(21,375)
Pension withholdings	<u>(3,894)</u>	<u>3,894</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 125,523</u>	<u>\$ 145,044</u>

See accompanying notes and auditor's report.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Family Works, Inc., (the "Company") was formed in September of 1990 for the purpose of providing family and individual diagnostic, evaluation and counseling services in the metropolitan Indianapolis area. The Company provides all of its services as one program. These services include: 1) therapy; 2) case management; 3) family functioning assessments; 4) sex offender/sex abuse treatment and; 5) visitation facilitation. The Company's primary contracts are with the Indiana Department of Child Services ("DCS") and Choices, Inc. The Company serves customers in Marion, Hamilton, Hancock and Tipton County.

Basis of accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Company has not recognized accounts receivable from clients and third party agencies or accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

Cash and cash equivalents

The Company classifies as cash all investments with an original maturity of less than three months or investments purchased within three months of maturity. All other investments are classified as short-term investments.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided using the double-declining method over the estimated useful lives of the respective items. Expenditures extending the useful life of existing items are capitalized and depreciated. Maintenance and repairs are charged to operations when incurred. When items are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Company, with the consent of its stockholders, has elected to be taxed under sections of the federal and state income tax laws, which provide that, in lieu of corporate income taxes, the shareholders individually account for the Company's items of income, deduction, losses and credits within their individual income tax returns. Corporate federal and state income tax returns of the Company are subject to examination by the tax authorities, depending upon each jurisdiction's statute of limitations, generally for three years after they are filed.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS, PROGRAM REVENUES

During the years ended December 31, 2015 and 2014, the Company's significant program revenues were derived from contracts with the DCS and Choices, Inc. The Company serves customers in Marion, Hamilton, Hancock and Tipton County.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PENSION PLAN

The Company sponsors a SIMPLE salary reduction pension plan. Eligible employees can defer up to the maximum amount, set annually by the Internal Revenue Service, of their compensation into the Plan. During 2015 and 2014 the Company funded discretionary matching contributions of the \$5,327 and \$2,315, respectively.

NOTE 4- NOTE PAYABLE, BANK

On June 30, 2010, the Company entered into a revolving line of credit with a bank. Under this agreement, the maximum amount that can be advanced is \$50,000 and any outstanding balance bears interest at a rate of prime plus 3.42%. The prime lending rate at December 31, 2015 was 3.25%.

The outstanding balance at December 31, 2015 and 2014 was \$20,000 and \$24,790, respectively. The line of credit is guaranteed by the Company's stockholders was renewed June 30, 2011 and matures July 1, 2017.

NOTE 5 - FAIR VALUE OF INSTRUMENTS

The Company's financial instruments are cash and cash equivalents, current liabilities and notes payable. The recorded values of cash and cash equivalents approximate their fair values based on their short-term nature. The recorded values of current liabilities and notes payable approximate their fair values.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE INFORMATION

The Company signed a lease agreement for the current location effective September 1, 2013. Under the terms of the lease, the Company must bear the cost of real estate taxes, insurance, utilities and any other costs associated with occupying the facility. The Company signed an amended lease agreement for the current location effective March 9, 2015. The amended lease agreement increased the office space to 4,180 square feet, extended the length of the lease and adjusted the monthly cost. Per the lease, the first three months were rent free. The period January 1, 2014 to April 30, 2015 the monthly cost was \$3,183. The period May 1, 2015 to December 31, 2015 the monthly cost was \$3,483. Rent expense of \$42,141 and \$42,749 has been included in the income statements for the years ended December 31, 2015 and 2014, respectively. The total minimum commitment at December 31, 2015 under this amended lease is due as follows:

2016	\$ 45,980
2017	45,980
2018	45,980
2019	50,160
2020	50,160
Total lease payments	<u>\$ 238,260</u>

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2016, the date on which the financial statements were available to be issued.

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FAMILY WORKS, INC.  
 SCHEDULE I - DIRECT PROGRAM EXPENSES - MODIFIED CASH BASIS  
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 892,326	\$ 788,446
Seminars and training	24,596	28,215
Health insurance-group	68,472	84,110
Liability insurance	21,720	22,591
Insurance-workman's comp	15	876
Payroll taxes	72,460	70,591
Criminal background check	1,437	713
Mileage	96,749	84,421
	<u>          </u>	<u>          </u>
TOTAL DIRECT PROGRAM EXPENSES	<u>\$ 1,177,775</u>	<u>\$ 1,079,963</u>

See auditor's report.

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FAMILY WORKS, INC.

SCHEDULE II - GENERAL & ADMINISTRATIVE EXPENSES - MODIFIED CASH BASIS

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 116,346	\$ 103,193
Postage and delivery	372	417
Computer services	20,623	11,334
Contributions	5,855	2,883
Depreciation expense	13,384	6,912
Dues and subscriptions	8,084	5,871
Health insurance-group	8,679	10,726
Liability insurance	2,753	2,881
Insurance-workman's comp	2	112
Officer's life insurance	7,912	2,812
Accounting and legal	15,884	15,243
Miscellaneous	1,746	3,205
Office expense	21,784	10,444
Office supplies	21,862	22,073
Outside labor	23,215	18,450
Pension expense	5,327	2,315
Printing and books expense	13,158	18,839
Rent	42,141	42,749
Repair and maintenance	614	269
Real estate taxes	91	77
Payroll taxes	9,185	9,002
Telephone	6,518	8,970
Meals	10,355	7,062
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 355,890</u>	<u>\$ 305,839</u>

See auditor's report.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors  
Family Works, Inc.  
Indianapolis, Indiana

We have audited the modified cash basis financial statements of Family Works, Inc., as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated September 26, 2016. We conducted our audits in accordance with generally accepted auditing standards in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Family Works, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements of Family Works, Inc., as of and for the years ended December 31, 2015 and 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Family Works, Inc.'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 Company's internal control. Accordingly we do not express an opinion on the effectiveness of the Company's internal control.

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 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 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.

This report is intended for the information of the Board of Directors, management, and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Indianapolis, Indiana  
September 26, 2016

*Haywood Henn*

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FAMILY WORKS, INC.

Exit Conference

On September 26, 2016, an exit conference was conducted with the officers and other members of management of Family Works, Inc. They concurred with the audit results.