



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B48910

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

October 13, 2017

Board of Directors
1st Kids, Inc.
11045 Broadway
Crown Point, IN 46307

We have reviewed the audit report prepared by L.M. Henderson & Company, LLP, for the period April 1, 2015 to March 31, 2016. 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 1st Kids, Inc., as of March 31, 2016, 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

1st Kids, Inc.

FINANCIAL STATEMENTS

Year Ended March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

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L. M. HENDERSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

1st Kids, Inc.

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James J. Cline, Jr.
Jason L. Confer
Michael A. Rasor
Michelle L. Zimmerman

450 E. 96th Street, Suite 200
Indianapolis, IN 46240
Telephone: 317.566.1000

Independent Auditor's Report

To the Board of Directors of
1st Kids, Inc.
Crown Point, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of 1st Kids, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of March 31, 2016, and the related statements of activities, change in net assets, functional expenses, and cash flows for the year 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 accounting principles generally accepted in the United States of America; this includes 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 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 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 evaluating 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 financial position of 1st Kids, Inc. as of March 31, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

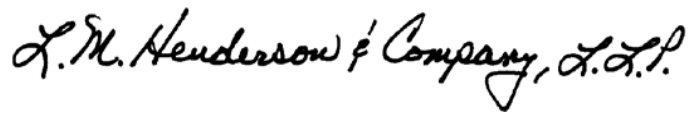
We have previously audited the 1st Kids, Inc.'s March 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2015. In our opinion, the summarized comparative information presented herein, as of, and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of 1st Kids, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 1st Kids, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants
Indianapolis, Indiana

December 16, 2016

1st Kids, Inc.

Statements of Financial Position

at March 31, 2016 with Comparative Totals at March 31, 2015

	March 31, 2016	March 31, 2015
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 742,063	\$ 683,397
Grants receivable - Note 2	669,502	470,517
Eligibility determination receivable	36,803	34,102
Prepaid expense	159,655	43,539
	<u>1,608,023</u>	<u>1,231,555</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture and fixtures	163,325	145,436
Less: Accumulated depreciation	115,025	115,898
	<u>48,300</u>	<u>29,538</u>
Total property and equipment	<u>48,300</u>	<u>29,538</u>
Total assets	<u>\$ 1,656,323</u>	<u>\$ 1,261,093</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 115,798	\$ 95,591
Accrued payroll expenses	254,642	205,089
	<u>370,440</u>	<u>300,680</u>
Total current liabilities	<u>370,440</u>	<u>300,680</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>1,285,883</u>	<u>960,413</u>
Total net assets	<u>1,285,883</u>	<u>960,413</u>
Total liabilities and net assets	<u>\$ 1,656,323</u>	<u>\$ 1,261,093</u>

See Notes to Financial Statements.

1st Kids, Inc.

Statements of Activities and Change in Net Assets

Year Ended March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

	Year Ended	
	March 31, 2016	March 31, 2015
REVENUE:		
System Point of Entry grants	\$ 4,812,394	\$ 4,284,866
First Steps System Development grant	182,576	178,993
Eligibility determination	1,798,657	1,674,512
Donations	1,806	1,754
Other revenue	5,406	4,474
Total revenue	<u>6,800,839</u>	<u>6,144,599</u>
EXPENSES:		
Program services	6,474,578	5,990,002
Management and general	791	3,290
Total expenses	<u>6,475,369</u>	<u>5,993,292</u>
CHANGE IN UNRESTRICTED NET ASSETS	325,470	151,307
UNRESTRICTED NET ASSETS:		
Balance, beginning of year	<u>960,413</u>	<u>809,106</u>
Balance, end of year	<u>\$ 1,285,883</u>	<u>\$ 960,413</u>

See Notes to Financial Statements.

1st Kids, Inc.

Statements of Cash Flows

Year Ended March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

	Year Ended	
	March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 325,470	\$ 151,307
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,956	8,568
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(198,985)	161,265
Increase in eligibility determination receivable	(2,701)	(8,130)
(Increase) decrease in prepaid expense	(116,116)	44,350
Increase in accounts payable	20,207	33,001
Increase (decrease) in accrued payroll expenses	49,553	(61,287)
Total adjustments	(238,086)	177,767
Net cash provided by operating activities	87,384	329,074
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28,718)	(25,697)
Net cash used in investing activities	(28,718)	(25,697)
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,666	303,377
CASH AND CASH EQUIVALENTS:		
Beginning of year	683,397	380,020
End of year	\$ 742,063	\$ 683,397

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:

During the year ended March 31, 2016, fully depreciated furniture and fixtures was disposed of with a cost of \$10,829.

See Notes to Financial Statements.

1st Kids, Inc.

Statements of Functional Expenses

Year Ended March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

	Program Services			Total Program Services	Management and General	Year Ended	
	System Point of Entry	First Steps System Development	Eligibility Determination			March 31, 2016	March 31, 2015
Salaries, payroll taxes, and fringe benefits	\$ 3,807,316	\$ 155,497	\$ -	\$ 3,962,813	\$ -	\$ 3,962,813	\$ 3,570,827
Professional fees and contract services	311,262	73,851	1,459,045	1,844,158	-	1,844,158	1,744,495
Supplies	108,565	8,420	120	117,105	-	117,105	77,910
Postage, phone, shipping and delivery	109,603	-	-	109,603	-	109,603	98,224
Conferences and meetings	-	-	-	-	791	791	2,981
Occupancy	140,680	-	-	140,680	-	140,680	173,272
Insurance	44,388	2,294	-	46,682	-	46,682	56,073
Travel	234,981	8,600	-	243,581	-	243,581	260,942
Depreciation	9,956	-	-	9,956	-	9,956	8,568
Total expenses	\$ 4,766,751	\$ 248,662	\$ 1,459,165	\$ 6,474,578	\$ 791	\$ 6,475,369	\$ 5,993,292

See Notes to Financial Statements.

Notes to Financial Statements

March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by 1st Kids, Inc. (the Organization) are listed below:

- (a) The Organization is the point of entry for the State of Indiana's First Steps program. During 2005, the Organization changed its name from Beyond Play Incorporated to 1st Kids, Inc. The program is designed to provide needed early intervention services to infants and toddlers, ages birth to three years and their families. The Organization informs individuals of the appropriate programs available. The referred services include occupational, physical and speech therapy, social services, health services, home visits, and transportation. The State of Indiana (the State), through funding provided by the Federal Government, is the principal funding source of the Organization that includes four clusters of counties (A, B, C, D). Cluster A includes the following Indiana counties: Lake, Porter, LaPorte, Newton, Jasper, Starke, and Pulaski. Cluster B includes the following Indiana counties: DeKalb, Elkhart, LaGrange, Noble, St. Joseph, Steuben, Whitley, Kosciusko, Marshall, and Fulton. Cluster C includes the following Indiana counties: Allen, Huntington, Wells, Adams, Wabash, Miami, and Grant. Cluster D includes the following Indiana counties: White, Benton, Warren, Tippecanoe, Carroll, Clinton, Boone, Fountain, Montgomery, Cass, and Howard. As of January 1, 2011, the State turned over administration of the Eligibility Determination (ED) process to the Organization, making the Organization the agent for the First Steps program's contracted ED team members. ED team members consist of: speech therapists, physical therapists, occupational therapists, and developmental therapists. Each child is evaluated by an ED team to determine whether they meet the State's eligibility criteria for entrance into the program. Funding for the ED process comes from the State and is used to pay the ED team members.
- (b) The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:
- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There are no temporarily restricted net assets as of March 31, 2016 and March 31, 2015.
- Permanently restricted net assets - Net assets subject to donor imposed stipulations that may be retained and invested permanently by the Organization. There are no permanently restricted net assets as of March 31, 2016 and March 31, 2015.
- (c) All items of assets are shown at cost.

Notes to Financial Statements

March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (d) Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$9,956 and \$8,568 for the years ended March 31, 2016 and March 31, 2015, respectively. Major additions and improvements are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred.
- (e) Donated materials are reflected in the accompanying financial statements at their estimated values at date of receipt. Donated services performed by individuals that are engaged in a business that normally provides that service for a profit have been recorded based on the amounts the business normally charges for that service. No amounts have been reflected in the financial statements for donated services for which no objective basis is available to measure their value; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services.
- (f) For purposes of the statements of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.
- (g) The Organization maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.
- (h) The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (i) Management considers all grants and other receivables as of March 31, 2016 and March 31, 2015 to be fully collectible. Accordingly, an allowance for doubtful accounts was not necessary at March 31, 2016 and March 31, 2015.
- (j) Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- (k) Certain reclassifications have been made to the prior year comparative totals in order for them to be in conformity with current year presentation.
- (l) Management has evaluated subsequent events through December 16, 2016, the date the financial statements were available to be issued.

1st Kids, Inc.

Notes to Financial Statements

March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

Note 2: GRANTS RECEIVABLE/SIGNIFICANT FUNDING SOURCE

A major funding source for the Organization is Indiana Family and Social Services Administration (FSSA). For the years ended March 31, 2016 and March 31, 2015, the Organization received approximately 73% and 73% of its revenues that were received from FSSA for the years ended March 31, 2016 and March 31, 2015, respectively. At March 31, 2016 and March 31, 2015, the grants receivable consisted of:

	March 31, <u>2016</u>	March 31, <u>2015</u>
System Point of Entry grant	\$ 669,502	\$ 470,517
Totals	<u>\$ 669,502</u>	<u>\$ 470,517</u>

Note 3: LEASE COMMITMENTS

The Organization leases office spaces and equipment from unrelated parties. Rent expense for the three operating leases for the years ended March 31, 2016 and March 31, 2015 totaled \$140,680 and \$173,272, respectively.

Future minimum lease payments under operating leases are as follows as of March 31, 2016:

Year Ended <u>March 31,</u>	<u>Amount</u>
2017	\$ 115,245
2018	99,852
2019	61,798
2020	<u>27,261</u>
Total	<u>\$ 304,156</u>

Note 4: LINE OF CREDIT

The Organization has a line of credit available with Centier Bank not to exceed \$75,000, requiring monthly installments of interest at prime (3.50% at March 31, 2016) plus 1.00%, but never less than 5.00% (interest rate of 4.75% at March 31, 2016), with all outstanding principal and accrued unpaid interest. The line was secured by equipment assets of the Organization. The line of credit matures on January 1, 2017.

Note 5: FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Notes to Financial Statements

March 31, 2016 with Comparative Totals for the Year Ended March 31, 2015

Note 6: TAX STATUS

The Organization has been determined by the Internal Revenue Service to be tax exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). As a result, contributions made to the Organization qualify as charitable deductions as described in Section 170(c) of the Code. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Code. Any unrelated business income received by the Organization would be taxable.

Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the Organization continues to qualify to be treated as a Section 501(c)(3) organization for both federal and state purposes. For the years ended March 31, 2016 and March 31, 2015, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of March 31, 2016 and March 31, 2015, or the years then ended. The annual information returns for the Organization are subject to examination by taxing authorities for a period of three years from the date they are filed. As of March 31, 2016, the tax years 2015, 2014, and 2013 remain subject to examination.

Note 7: RETIREMENT PLAN

The Organization has a 403(b) Tax Deferred Annuity Plan for those employees who have completed one year of service and have attained age 21. Eligibility commences on the first day of the fiscal quarter following satisfaction of the eligibility requirements. Discretionary contributions by the Organization amounted to \$53,856 and \$41,023 for the years ended March 31, 2016 and March 31, 2015, respectively.

Note 8: PRIOR-YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with 1st Kids, Inc. 's financial statements for the year ended March 31, 2015, from which the summarized information was derived.

1st Kids, Inc.

FEDERAL FINANCIAL ASSISTANCE

Year Ended March 31, 2016

James J. Cline, Jr.
Jason L. Confer
Michael A. Rasor
Michelle L. Zimmerman

450 E. 96th Street, Suite 200
Indianapolis, IN 46240
Telephone: 317.566.1000

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of
1st Kids, Inc.
Crown Point, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 1st Kids, Inc. (an Indiana nonprofit organization) which comprise the statements of financial position as of March 31, 2016, and the related statements of activities, change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 1st Kid's, Inc.'s internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 1st Kid's, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 1st Kid's, Inc.'s financial statements are free from material misstatements, 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L.M. Henderson & Company, L.L.P.

Certified Public Accountants
Indianapolis, Indiana

December 16, 2016

James J. Cline, Jr.
Jason L. Confer
Michael A. Rasor
Michelle L. Zimmerman

450 E. 96th Street, Suite 200
Indianapolis, IN 46240
Telephone: 317.566.1000

Independent Auditor's Report on Compliance For Each Major Program and
on Internal Control over Compliance Required by Uniform Guidance

To the Board of Directors of
1st Kids, Inc.
Crown Point, Indiana

Report on Compliance for Each Major Federal Program

We have audited 1st Kids, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of 1st Kids, Inc.'s major federal programs for the year ended March 31, 2016. 1st Kids, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 1st Kids, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 1st Kids, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of 1st Kids, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, 1st Kids, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

Report on Internal Control over Compliance

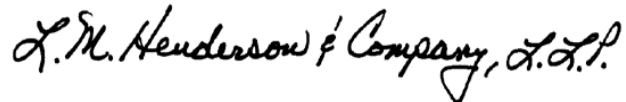
Management of 1st Kids, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 1st Kids, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major

federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 1st Kids, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Indianapolis, Indiana

December 16, 2016

1st Kids, Inc.

Schedule of Expenditures of Federal Awards

March 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Department of Education Indiana Family & Social Services Administration Special Education - Grants for Infants and Families with Disabilities	84.181	45-14-5F-1153-03	
System Point of Entry (SPOE)			\$ 4,766,751
First Steps System Development			<u>248,662</u>
Total expenditures of federal awards			<u>\$ 5,012,443</u>

Note 1: This schedule of expenditures of federal awards includes the federal grant activity of 1st Kids, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: There were no noncash assistance, insurance or loan guarantees outstanding for the year ended March 31, 2016.

1st Kids, Inc.

Schedule of Findings and Questioned Costs

March 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

The auditor's report expresses an unmodified opinion on the general-purpose financial statements of 1st Kids, Inc. in accordance with US GAAP.

No material weaknesses were identified in the internal controls over financial reporting.

No significant deficiencies were identified in the internal controls over financial reporting.

No instances of noncompliance material to the financial statements of 1st Kids, Inc. were disclosed during the audit.

Federal Awards

No material weaknesses were identified in the internal controls over major federal programs.

No significant deficiencies were identified in the internal controls over major federal programs.

The auditor's report on compliance for major programs expresses an unmodified opinion.

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this schedule.

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.181	Special Education - Grants for Infants and Families With Disabilities
Dollar Threshold used to distinguish between type A and type B programs:	\$ 750,000

The auditee qualified as a low-risk auditee.

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

1st Kids, Inc.

Schedule of Prior Year Findings

March 31, 2016

Section I - Financial Statement Findings

None

Section II - Federal Award Findings and Questioned Costs

None

1st Kids, Inc.

Corrective Action Plan

March 31, 2016

Section I - Financial Statement Findings

None

Section II - Federal Award Findings and Questioned Costs

None