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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](http://www.in.gov/sboa)

January 10, 2018

Board of Directors  
Covering Kids & Families of Indiana, Inc.  
3737 N. Meridian St.  
Indianapolis, IN 46208

We have reviewed the report prepared by Covering Kids & Families of Indiana, Inc. and opined upon by Alerding CPA Group, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Covering Kids & Families of Indiana, 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.

In our opinion, Alerding CPA Group prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

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



FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



# COVERING KIDS & FAMILIES OF INDIANA, INC.

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4181 E. 96<sup>th</sup> Street, Suite 180  
Indianapolis, IN 46240  
Phone: 317.569.4181  
Toll Free: 888.922.4941  
[www.alerdingcpagroup.com](http://www.alerdingcpagroup.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Covering Kids & Families of Indiana, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Covering Kids & Families of Indiana, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes 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. 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 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Covering Kids & Families of Indiana, Inc. as of December 31, 2015 and its changes in net assets, functional expenses and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Covering Kids & Families of Indiana, Inc. as of December 31, 2014, and for the year then ended, were audited by other auditors whose report dated July 23, 2015, expressed an unmodified opinion on those statements.

*Atending CPA Group*

May 12, 2016

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

### ASSETS

	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash	\$ 85,062	\$ 98,731
Cash held in escrow	554	5,808
Accounts receivable	503,320	440,764
Prepaid expenses	<u>10,085</u>	<u>24,764</u>
 Total assets	 <u>\$ 599,021</u>	 <u>\$ 570,067</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable	\$ 212,750	\$ 232,092
Accrued expenses	57,704	40,702
Deferred revenue	<u>-0-</u>	<u>6,600</u>
 Total liabilities	 270,454	 279,394
 <b>Unrestricted Net Assets</b>	 <u>328,567</u>	 <u>290,673</u>
 Total liabilities and net assets	 <u>\$ 599,021</u>	 <u>\$ 570,067</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Revenue and Support:</b>		
Grants and contracts	\$ 2,267,305	\$ 2,094,772
Contributions	7,500	11,206
Conferences and meetings	68,987	59,775
Other program services revenues	160	40
Interest income	488	519
Total revenue and support	<u>2,344,440</u>	<u>2,166,312</u>
<b>Expenses:</b>		
Programs	2,090,903	1,983,335
Management and general	214,103	139,173
Fundraising	1,540	9,560
Total expenses	<u>2,306,546</u>	<u>2,132,068</u>
Change in net assets	37,894	34,244
<b>Unrestricted Net Assets, Beginning of Year</b>	<u>290,673</u>	<u>256,429</u>
<b>Unrestricted Net Assets, End of Year</b>	<u>\$ 328,567</u>	<u>\$ 290,673</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015 Total</u>	<u>2014 Total</u>
Salaries	\$ 497,369	\$ 123,261	\$ 967	\$ 621,597	\$ 635,572
Payroll taxes and benefits	<u>102,682</u>	<u>25,447</u>	<u>200</u>	<u>128,329</u>	<u>133,633</u>
Total salaries, taxes and benefits	600,051	148,708	1,167	749,926	769,205
Subgrants	1,134,322	-0-	-0-	1,134,322	1,046,900
Health programs outreach and marketing	204,161	-0-	-0-	204,161	151,036
Contract services	16,213	-0-	-0-	16,213	25,935
Office expenses	30,149	5,482	-0-	35,631	17,850
Occupancy	17,577	4,394	-0-	21,971	24,288
Telephone and internet	17,750	4,363	-0-	22,113	12,478
Travel	38,627	390	-0-	39,017	36,986
Conference and meetings	27,816	4,925	-0-	32,741	27,851
Professional fees	-0-	41,111	-0-	41,111	7,168
Insurance	1,688	1,125	-0-	2,813	2,506
Advocacy	2,549	-0-	-0-	2,549	305
Other	<u>-0-</u>	<u>3,605</u>	<u>373</u>	<u>3,978</u>	<u>9,560</u>
Total expenses	<u>\$ 2,090,903</u>	<u>\$ 214,103</u>	<u>\$ 1,540</u>	<u>\$ 2,306,546</u>	<u>\$ 2,132,068</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total</u>
Salaries	\$ 528,939	\$ 106,633	\$ -0-	\$ 635,572
Payroll taxes and benefits	<u>113,588</u>	<u>20,045</u>	<u>-0-</u>	<u>133,633</u>
Total salaries, taxes and benefits	642,527	126,678	-0-	769,205
Subgrants	1,046,900	-0-	-0-	1,046,900
Health programs outreach and marketing	151,036	-0-	-0-	151,036
Contract services	25,935	-0-	-0-	25,935
Office expenses	17,110	740		17,850
Occupancy	22,689	1,599	-0-	24,288
Telephone and internet	10,490	1,988	-0-	12,478
Travel	36,986	-0-	-0-	36,986
Conference and meetings	27,851	-0-	-0-	27,851
Professional fees	-0-	7,168	-0-	7,168
Insurance	1,506	1,000	-0-	2,506
Advocacy	305	-0-	-0-	305
Other	<u>-0-</u>	<u>-0-</u>	<u>9,560</u>	<u>9,560</u>
Total expenses	<u>\$ 1,983,335</u>	<u>\$ 139,173</u>	<u>\$ 9,560</u>	<u>\$ 2,132,068</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 37,894	\$ 34,244
Changes in operating assets and liabilities:		
Cash held in escrow	5,254	11,274
Accounts receivable	(62,556)	(65,904)
Prepaid expenses	14,679	(22,671)
Accounts payable	(19,342)	83,319
Accrued expenses	17,002	(27,655)
Deferred revenue	<u>(6,600)</u>	<u>6,600</u>
Net cash provided by (used in) operating activities	(13,669)	19,207
<b>Cash, Beginning of Year</b>	<u>98,731</u>	<u>79,524</u>
<b>Cash, End of Year</b>	<u>\$ 85,062</u>	<u>\$ 98,731</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Entity

COVERING KIDS & FAMILIES OF INDIANA, INC. (the "Organization") is a not-for-profit corporation organized to assist Indiana children and adults in obtaining and retaining health care coverage. Its operations are supported primarily by grants and contracts with governmental agencies.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

#### Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following accounts to distinguish among restrictions:

##### *Unrestricted Net Assets*

Unrestricted net assets include all contributions received, without donor restrictions, and revenues and expense for the general operation of the Organization.

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets include contributions that have donor imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets through the release of restrictions in the Statement of Activities and Changes in Net Assets. There were no temporarily restricted net assets at December 31, 2015 and 2014.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. The primary estimates utilized in the preparation of the financial statements include the collectability of accounts receivable, revenue earned on cost-reimbursement grants, and the reporting of functional expenses among functional categories.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS. DECEMBER 31, 2015 AND 2014

### Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts, if considered necessary. The allowance for doubtful accounts was \$-0- and \$4,200 at December 31, 2015 and 2014, respectively.

### Support and Revenue Recognition

Revenues from cost-reimbursement grants are recognized as the Organization performs the contracted services or incurs expenses eligible for reimbursement under the grant agreement. Grant activities are subject to audit and acceptance by the granting agency and, as a result of such an audit, adjustments could be required.

The Organization records unconditional promises to give at the date the promise is received. The gifts are reported as unrestricted support or as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. There were no temporarily restricted contributions received during 2015 and 2014.

### Functional Expenses

Expenses are classified as Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel or other rational basis of allocation.

### Donated Materials and Services

Donated materials and services are recorded as in-kind donations at the estimated fair value at the date of receipt.

### Reclassification

Certain amounts from 2014 have been reclassified herein to conform to the 2015 presentation.

### Advertising

Advertising costs are expensed as incurred and relate to promoting the Organization's programs through its local coalitions. Advertising expense was \$27,620 and \$27,208 for the years December 31, 2015 and 2014, respectively.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### Income Taxes

The Organization is organized as an Indiana not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purposes of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2015, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2012.

### Subsequent Events

Subsequent events have been evaluated through May 12, 2016, which is the date the financial statements were available for issuance.

## 2. LINE OF CREDIT

The Organization has \$150,000 of available borrowings under a line of credit agreement with a bank until October 31, 2016, at which time it is subject to renewal. Interest is payable monthly at 5%, and borrowings are secured by substantially all assets of the Organization. There were no outstanding borrowings on the line of credit as of December 31, 2015 and 2014.

## 3. OPERATING LEASE

The Organization leases two office facilities and office equipment under the terms of operating leases requiring monthly payments of \$1,963 as of December 31, 2015 and expiring at various dates through October 2021. The future minimum lease payments due under the terms of the operating lease are as follows:

<u>December 31,</u>	
2016	\$ 23,756
2017	25,011
2018	13,775
2019	1,500
2020	1,500
Thereafter	<u>1,250</u>
	<u>\$ 66,792</u>

Total lease expense was \$20,615 and \$24,288, including in-kind rent expense, for the years ended December 31, 2015 and 2014, respectively.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 4. EMPLOYEE BENEFITS PLANS

The Organization maintains a Simple Employee Pension (SEP) plan for all eligible employees. Full-time employees become eligible for the plan immediately upon being hired. The Organization makes contributions to the plan equal to 8% of employee wages, which totaled \$50,582 and \$51,599 for the years ended December 31, 2015 and 2014, respectively.

The Organization also maintains certain health insurance benefits which require funds to be held in escrow in order to secure the payment of future claims. Cash held in escrow was \$554 and \$5,808 at December 31, 2015 and 2014, respectively.

### 5. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

As of December 31, 2015 and for the year then ended, one (1) grantor represented 94% of accounts receivable and two (2) grantors represented 97% of grant and contract revenues.

As of December 31, 2014 and for the year then ended, one (1) grantor represented 86% of accounts receivable and two (2) grantors represented 97% of grant and contract revenues.