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January 11, 2018

Board of Directors  
Family Service Association of Howard County, Inc.  
618 South Main Street  
Kokomo, IN 46901

We have reviewed the report prepared by Family Service Association of Howard County, Inc. and opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Family Service Association of Howard County, 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, Katz, Sapper & Miller, LLP 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, CPA  
State Examiner



# **FAMILY SERVICE ASSOCIATION of Howard County, Inc.**

AND  
**FSA ASSET MANAGEMENT, INC.**

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND  
FSA ASSET MANAGEMENT, INC.**

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*Independent Auditors' Report*

Board of Directors  
Family Service Association of Howard County, Inc. and  
FSA Asset Management, Inc.

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. (not-for-profit organizations), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Services*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***2014 Consolidated Financial Statements***

The consolidated financial statement of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of and for the year ended December 31, 2014, were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements on September 31, 2015.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
September 28, 2016

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014**

**ASSETS**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash	\$ 161,003	\$ 217,934
Accounts receivable - clients	2,715	2,205
Grants receivable	262,667	214,854
Prepaid expenses and other assets	24,818	23,801
	<u>451,203</u>	<u>458,794</u>
Property and Equipment		
Land	73,400	73,400
Buildings and improvements	4,221,320	4,216,320
Furniture and equipment	460,864	460,864
Leasehold improvements	244,454	240,919
Vehicles	21,389	21,389
	<u>5,021,427</u>	<u>5,012,892</u>
Less: Accumulated depreciation	837,260	674,027
Total Property and Equipment	<u>4,184,167</u>	<u>4,338,865</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,635,370</u></u>	<u><u>\$ 4,797,659</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 36,562	\$ 15,344
Accrued wages	30,418	4,779
Accrued vacation	46,056	52,962
Line of credit borrowings	100,000	
Notes payable and capital leases	348,054	380,081
Total Liabilities	<u>561,090</u>	<u>453,166</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	356,618	445,603
Building and equipment fund	3,665,053	3,803,140
Total Unrestricted Net Assets	<u>4,021,671</u>	<u>4,248,743</u>
Temporarily restricted	52,609	95,750
Total Net Assets	<u>4,074,280</u>	<u>4,344,493</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,635,370</u></u>	<u><u>\$ 4,797,659</u></u>

*See accompanying notes.*

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2015 and 2014**

	Unrestricted	2015 Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Public Support:			
United Way	\$ 299,445		\$ 299,445
Contributions	<u>28,613</u>	\$ 45,261	<u>73,874</u>
Total Public Support	<u>328,058</u>	<u>45,261</u>	<u>373,319</u>
Other support:			
Government support	562,163		562,163
Other grants and awards	<u>65,444</u>		<u>65,444</u>
Total Other Support	<u>627,607</u>		<u>627,607</u>
Revenues:			
Government program revenues	1,028,999		1,028,999
Program service fees	106,570		106,570
Miscellaneous	3,555		3,555
Rental income	40,236		40,236
Special events	<u>30,561</u>		<u>30,561</u>
Total Revenues	<u>1,209,921</u>		<u>1,209,921</u>
Net Assets Released from Restrictions	<u>88,402</u>	<u>(88,402)</u>	
Total Support and Revenues	<u>2,253,988</u>	<u>(43,141)</u>	<u>2,210,847</u>
<b>EXPENSES</b>			
Program services	2,059,786		2,059,786
Management and general	365,186		365,186
Fundraising	<u>56,088</u>		<u>56,088</u>
Total Expenses	<u>2,481,060</u>		<u>2,481,060</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(227,072)	(43,141)	(270,213)
<b>NET ASSETS</b>			
Beginning of Year	<u>4,248,743</u>	<u>95,750</u>	<u>4,344,493</u>
End of Year	<u>\$ 4,021,671</u>	<u>\$ 52,609</u>	<u>\$ 4,074,280</u>

See accompanying notes.

Unrestricted	2014 Temporarily Restricted	Total
\$ 257,240		\$ 257,240
<u>156,912</u>		<u>156,912</u>
<u>414,152</u>		<u>414,152</u>
1,077,647		1,077,647
<u>1,077,647</u>	\$ 288,356	<u>288,356</u>
	<u>288,356</u>	<u>1,366,003</u>
1,813,230		1,813,230
297,962		297,962
13,797		13,797
15,423		15,423
<u>37,977</u>		<u>37,977</u>
<u>2,178,389</u>		<u>2,178,389</u>
619,113	(619,113)	
<u>4,289,301</u>	<u>(330,757)</u>	<u>3,958,544</u>
1,881,877		1,881,877
294,689		294,689
<u>38,130</u>		<u>38,130</u>
<u>2,214,696</u>		<u>2,214,696</u>
2,074,605	(330,757)	1,743,848
<u>2,174,138</u>	<u>426,507</u>	<u>2,600,645</u>
<u>\$ 4,248,743</u>	<u>\$ 95,750</u>	<u>\$ 4,344,493</u>

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2015 and 2014**

	2015					
	Advocacy/ Prevention/ Education	Chores	Child Protective Services	Individual Counseling	Community Partners	Domestic Violence
Salaries	\$ 40,170	\$ 77,143	\$ 119,184	\$ 8,653	\$ 81,790	\$ 426,551
Payroll taxes	3,837	6,753	11,508	850	7,456	40,180
Employee benefits	3,004	5,427	15,897	64	18,998	28,300
Total	<u>47,011</u>	<u>89,323</u>	<u>146,589</u>	<u>9,567</u>	<u>108,244</u>	<u>495,031</u>
Administrative fees	85	77	290		144	223
Advertising and printing	350	113	603	89	178	451
Conference and training	1,689	834	1,528	6	782	8,138
Direct assistance expense	10,582	302	58		5,219	83,918
Insurance	106	53	75	31	50	2,226
Interest expense						32
Miscellaneous	1,195	217	33		15	291
Occupancy	1,982	941	1,728	580	959	36,296
Payments to affiliates	150	250				500
Professional fees	1,571	161	328	303	70	6,481
Repairs and maintenance	1,392	501	423	130	146	13,063
Supplies	6,577	403	481	2	85	1,247
Telephone	957	861	3,619	9	2,436	7,277
Travel	970	8,951	5,634	9	3,915	2,708
Depreciation						19,939
Property management fees						
<b>TOTAL EXPENSES</b>	<u><u>\$ 74,617</u></u>	<u><u>\$ 102,987</u></u>	<u><u>\$ 161,389</u></u>	<u><u>\$ 10,726</u></u>	<u><u>\$ 122,243</u></u>	<u><u>\$ 677,821</u></u>
	2014					
Salaries	\$ 102,127	\$ 61,847	\$ 75,253	\$ 3,462	\$ -	\$ 389,252
Payroll taxes	10,145	6,601	7,800	440		39,455
Employee benefits	27,261	932	10,090			17,429
Total	<u>139,533</u>	<u>69,380</u>	<u>93,143</u>	<u>3,902</u>		<u>446,136</u>
Administrative fees	647	1,268	457	5		3,653
Advertising and printing	1,117	1,250	1,013	862		1,791
Conference and training	4,324	1,112	496	46		2,004
Direct assistance expense	24,970	133	982			85,323
Insurance	302	120	262	24		1,906
Interest expense						50
Miscellaneous	1,498	104	126	104		561
Occupancy	1,824	826	1,590	273		23,266
Payments to affiliates	861	1,773	701	711		4,961
Professional fees	4,782	693	698	667		4,162
Repairs and maintenance	1,565	916	810	653		10,501
Supplies	5,234	546	317	91		1,069
Telephone	3,053	273	2,093			6,211
Travel	5,500	7,324	4,699	14		1,864
Depreciation						16,773
Property management fees						
<b>TOTAL EXPENSES</b>	<u><u>\$ 195,210</u></u>	<u><u>\$ 85,718</u></u>	<u><u>\$ 107,387</u></u>	<u><u>\$ 7,352</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 610,231</u></u>

See accompanying notes.

2015

Family Life Education	Healthy Families	Jackson Street Commons	Consumer Credit Counseling	Total Program Services	Management and General	Fund Raising	Total
\$ 118,261	\$ 343,679	\$ 56,323	\$ -	\$1,271,754	\$ 141,203	\$ 34,653	\$1,447,610
10,534	33,133	5,396		119,647	15,761	3,349	138,757
417	49,111	8,905		130,123	23,685	7,304	161,112
<u>129,212</u>	<u>425,923</u>	<u>70,624</u>		<u>1,521,524</u>	<u>180,649</u>	<u>45,306</u>	<u>1,747,479</u>
28	219	190		1,256	13,892	100	15,248
3,823	1,491	81		7,179	5,094	1,881	14,154
5,336	3,892	251		22,456	1,706	1,006	25,168
	2,032	1,812		103,923		1,000	104,923
100	383	2,614		5,638	4,224	34	9,896
	66	40		138	19,825		19,963
668	659			3,078	7,426	(105)	10,399
3,362	8,495	26,783		81,126	15,847	1,116	98,089
500	3,088	199		4,687	8,000		12,687
1,530	680	3,531		14,655	56,723	1,015	72,393
1,247	2,691	15,804		35,397	6,118	307	41,822
8,483	4,274	3,970		25,522	5,845	3,892	35,259
2,273	12,779	6,979		37,190	4,076	371	41,637
2,431	18,370	1,128		44,116	379	165	44,660
570	1,148	106,424		128,081	35,382		163,463
		23,820		23,820			23,820
<u>\$ 159,563</u>	<u>\$ 486,190</u>	<u>\$ 264,250</u>	<u>\$ -</u>	<u>\$2,059,786</u>	<u>\$ 365,186</u>	<u>\$ 56,088</u>	<u>\$2,481,060</u>

2014

\$ 138,329	\$ 342,485	\$ 64,244	\$ 1,956	\$1,178,955	\$ 128,966	\$ 23,521	\$1,331,442
13,101	35,840	5,480	499	119,361	14,517	2,219	136,097
1,607	40,906	10,132	542	108,899	17,416	1,621	127,936
<u>153,037</u>	<u>419,231</u>	<u>79,856</u>	<u>2,997</u>	<u>1,407,215</u>	<u>160,899</u>	<u>27,361</u>	<u>1,595,475</u>
581	2,158	1,326	1,157	11,252	4,549	183	15,984
2,306	860	941	191	10,331	1,836	1,811	13,978
6,861	1,894	504	5	17,246	2,066	240	19,552
	2,183	241		113,832			113,832
391	1,379	920	21	5,325	2,058	56	7,439
	19	553		622	20,538		21,160
369	435	166	30	3,393	2,212	662	6,267
3,519	8,250	10,341	215	50,104	30,435	1,388	81,927
711	2,562	593	119	12,992	1,660	711	15,363
2,487	982	2,270	136	16,877	22,075	710	39,662
1,681	3,526	15,884	268	35,804	(28)	826	36,602
12,266	3,147	3,094		25,764	3,240	4,017	33,021
2,192	11,345	5,006	399	30,572	3,055	165	33,792
2,729	15,994	217		38,341	494		38,835
839	1,024	70,320	83	89,039	39,600		128,639
		13,168		13,168			13,168
<u>\$ 189,969</u>	<u>\$ 474,989</u>	<u>\$ 205,400</u>	<u>\$ 5,621</u>	<u>\$1,881,877</u>	<u>\$ 294,689</u>	<u>\$ 38,130</u>	<u>\$2,214,696</u>

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2015 and 2014**

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Cash received from contributions, grants, programs and miscellaneous	\$ 2,162,389	\$ 3,886,676
Interest received	135	141
Interest paid	(19,963)	(21,160)
Cash paid to employees	(1,728,746)	(1,598,884)
Cash paid to suppliers	(529,954)	(464,085)
Net Cash Provided (Used) by Operating Activities	<u>(116,139)</u>	<u>1,802,688</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment		3,000
Purchase of property and equipment	(8,765)	(1,803,852)
Net Cash Used by Investing Activities	<u>(8,765)</u>	<u>(1,800,852)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds (payments) on line of credit, net	100,000	(50,000)
Proceeds from issuance of notes payable		21,406
Payments on notes payable and capital leases	(32,027)	(201,276)
Net Cash Provided (Used) by Financing Activities	<u>67,973</u>	<u>(229,870)</u>
<b>NET DECREASE IN CASH</b>	(56,931)	(228,034)
<b>CASH</b>		
Beginning of Year	<u>217,934</u>	<u>445,968</u>
End of Year	<u>\$ 161,003</u>	<u>\$ 217,934</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (270,213)	\$ 1,743,848
Depreciation	163,463	128,639
Contributed property and equipment		(22,041)
Increase in certain assets:		
Accounts and grants receivable	(48,323)	(38,199)
Prepaid expenses and other assets	(1,017)	(5,193)
Increase (decrease) in certain liabilities:		
Accounts payable	21,218	(6,546)
Accrued expenses	18,733	2,680
Custodial funds		(500)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (116,139)</u>	<u>\$ 1,802,688</u>

See accompanying notes.

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General:** Family Service Association of Howard County, Inc. (the Association) is a not-for-profit corporation providing a nurturing program for parents and children, individual and family counseling, consumer credit counseling, child abuse treatment, a homemaker program for the elderly and disabled, a healthy families program for parents and families of newborns, a family life education program providing education courses to promote new skills for individual and family living, and operates a shelter for homeless veterans with disabilities. The Association's primary sources of revenue are government grants and contracts and United Way funding allocations.

FSA Asset Management, Inc. (Asset Management) is a not-for-profit corporation organized to manage certain real estate used by the Association to operate its programs.

The consolidated financial statements include the accounts of the Association and Asset Management (collectively, FSA). The Association controls and has an economic interest in FSA Asset Management. All material intra-entity accounts and transactions have been eliminated in consolidation.

The Association's program services include the following:

**Advocacy/Prevention/Education:** Prevent Child Abuse provides free services such as in-services for school/daycare personnel, educational material, presentations and child safety programs. Gear Up provides child safety education and items for the home. Car Seat Safety provides instruction on the proper care and use of car seats for children of all ages.

**Chores** provides individual specialized care to the elderly and disabled, performing tasks including laundry, food preparation, cleaning, bill payment and running errands. This is a fee-based program that is dependent on the client's income and ability to pay.

**Child Protective Services:** In coordination with the Department of Child Services, this program provides family support and intervention through supervised visitation, parent education and life-skills case management.

**Community Partners** is a free and voluntary in-home program for families with children 0-18 years old that are not involved in the Department of Child Services or Healthy Families, with the purpose to assist, develop, and meet family-centered goals, and discover and connect with local support services.

**Domestic Violence Program** includes the activities described below:

**Shelter:** Advocates trained in crisis intervention are available 24 hours a day, 7 days a week to answer questions and assist in crisis intervention. This shelter also is a place for those seeking safety from domestic violence situations. There are support groups, as well as one-on-one case management available.

**Transitional Living:** The Domestic Violence Program has several scattered-site apartments that provide housing for victims for up to twelve months while they are transitioning out of shelter care. There is limited availability for the Transitional Living Program, and all clients must complete the 45-day crisis stay and complete an application before being considered.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Education:** One to three lesson curriculums are available to be taught at middle schools and high schools. Curriculums are adaptations of Hazelden's research based curriculum called Safe Dates.

**Family Life Education** includes the activities described below:

**Minority Health Coalition:** The Minority Health Alliance of Howard County (MHAHC) is committed to support programs and services that will reduce racial/ethnic health disparities in Howard County and improve health outcomes within those groups. There are many health issues that affect the minority community including obesity, chronic disease, oral hygiene, vision and mental illness.

**Howard County Tobacco Coalition:** The purpose of the Howard County Tobacco Coalition is to assure accountability for the provision of services to Howard County for advocacy, environmental awareness of second hand smoke, smoking cessation, and education and prevention. It also includes cessation in all areas of youth, adults, senior citizens, pregnant women and minorities.

**Mayor's Council on Substance Abuse Prevention:** Created to plan, implement, and evaluate local alcohol and drug abuse prevention plans that address the needs of high school students of Howard County.

**Victims Assistance – Kokomo Police Dept.** assists victims of crime and establishes a strong tie between local law enforcement and Howard County's network on social service agencies.

**Healthy Families** provides information about community resources for clients and children (ages 0-3 years old), support during pregnancy and early years of parenting, how to care for and play with a baby, creating safe home environment and monitoring baby's growth and development.

**Jackson Street Commons** provides permanent, supportive housing for chronically homeless, disabled veterans. It provides a home first then surrounds residents with the services necessary to assist them in stabilization.

**Basis of Presentation:** The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and classify FSA's activities and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, FSA's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** represent unrestricted resources available to support FSA's operations. Unrestricted net assets include Board-designated net assets for the Association's net investment in property and equipment. As Asset Management's primary purpose is management of property and equipment, no such designation has been made for Asset Management's net investment in property and equipment.
- **Temporarily Restricted Net Assets** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of FSA pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

**Estimates:** Management makes estimates and assumptions in the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Grants Receivable** primarily represent balances due under government grants and contracts for which services have been performed or allowable expenditures have been incurred, but payment has not yet been received. Payments of grants receivable are allocated to the specific claims identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid claims. Management periodically reviews grants receivable for collectability. Uncollectable accounts are written off as deemed necessary. At December 31, 2015 and 2014, management determined no allowance for doubtful accounts was necessary.

**Property and Equipment:** Expenditures over \$1,000 for property and equipment are capitalized and stated at cost of purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated asset must be maintained, FSA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and equipment	3-10 years
Leasehold improvements	7-15 years
Vehicles	5 years

FSA's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of property and equipment have been required.

**Revenues Recognition:** Public and other support are recognized when the contributions are received or unconditionally pledged. FSA reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Conditional contributions are not recorded as support and revenues until the conditions are met. Government contracts are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged, and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts. Government contracts and certain other grants are subject to audit by the government or granting agency, and as a result of such audit, adjustments to revenue and support could be required. Management believes such adjustments, if any, would be immaterial.

**Donated Services:** Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Many individuals volunteer their time and perform a variety of tasks that assist FSA with specific assistance programs, campaign solicitations, and various committee assignments. However, the value of this contributed time is not reflected in the accompanying consolidated financial statements since the volunteer's time does not meet the criteria for recognition.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Expenses directly identifiable with a specific program or supporting service are allocated directly according to their natural classification. Expenses related to more than one function are allocated among program and support services based on estimates of time or space utilized by each program or function, or other estimates made by FSA's management. 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 FSA.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Advertising Costs** are expensed as incurred. Advertising expenses were \$10,057 in 2015 and \$11,757 in 2014.

**Income Taxes:** The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Asset Management is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2015 and 2014.

The Association and Asset Management file U.S. federal and state of Indiana information returns. The organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

**Reclassifications:** Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the presentation of the 2015 consolidated financial statements.

**Subsequent Events:** FSA has evaluated the consolidated financial statements for subsequent events occurring through September 28, 2016, the date the consolidated financial statements were available to be issued.

## NOTE 2 - ASSETS HELD AT COMMUNITY FOUNDATION

The Association has been named a beneficiary of a fund administered by a community foundation. However, the fund is not included in the Association's consolidated statements of financial position because the community foundation has variance power over the fund. At December 31, 2015 and 2014, the fund approximated \$5,000.

## NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

The Association has a \$100,000 line of credit from a bank available through June 2017. Interest is computed at the Bank's prime lending rate plus 1% with a minimum of 5% (5.0% at December 31, 2015). As of December 31, 2015, outstanding borrowings on the line of credit were \$100,000. As of December 31, 2014, there were no outstanding borrowings on the line of credit.

Notes payable and capital leases consisted of the following at December 31, 2015 and 2014:

	2015	2014
Mortgage note payable in monthly installments of \$1,856, including interest fixed every 5 years and computed at the weekly average yield on United States Treasury securities adjusted to a constant maturity of 5 years, plus 4% (4.88% with next scheduled adjustment in March 2017), through maturity in August 2029. Secured by property.	\$154,345	\$168,608
Mortgage note payable in monthly installments of \$1,094, including interest fixed every 5 years and computed at the weekly average yield on United States Treasury securities adjusted to a constant maturity of 5 years, plus 3.5% with a 6% floor (6% with next scheduled adjustment in August 2019), through maturity in May 2024. Secured by property.	121,260	126,815
Note payable payable in monthly installments of \$871, including interest currently fixed at 5.50%, subject to change in August 2019, through maturity in January 2023.	60,886	67,722

**NOTE 3 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)**

	<b>2015</b>	<b>2014</b>
Capital leases for four copiers utilized at various program locations with monthly installments through September 2019, ranging from \$99 to \$131, including interest imputed at rates ranging from 1.21% to 1.51%. Secured by the associated equipment recorded at a cost of \$21,406 and accumulated amortization of \$8,053 at December 31, 2015.	<u>\$ 11,563</u>	<u>\$ 16,936</u>
Total Notes Payable and Capital Leases	<u>\$348,054</u>	<u>\$380,081</u>

At December 31, 2015, the aggregate maturities of notes payable and capital leases were as follows:

<b>Payable in</b>	<b>Capital Lease Payments</b>	<b>Debt Maturities</b>
2016	\$ 5,562	\$ 28,583
2017	3,272	29,931
2018	2,046	31,549
2019	890	33,256
2020		35,055
Thereafter		178,117
Total Capital Lease Payments	<u>11,770</u>	
Less: Amount representing interest	<u>(207)</u>	
Net Capital Lease Obligation	<u>\$11,563</u>	

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes or periods at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Jackson Street Commons	\$ 1,685	\$28,185
Administrative	16	99
Prevent Child Abuse	12,928	10,411
Domestic Violence Program	30,065	34,609
Substance Abuse Treatment and Prevention	5,000	
Family Life Education	2,915	20,909
Healthy Families		772
Car Seat Safety		<u>765</u>
Total Temporarily Restricted Net Assets	<u>\$52,609</u>	<u>\$95,750</u>

For the years ended December 31, 2015 and 2014, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	<b>2015</b>	<b>2014</b>
Jackson Street Commons	\$29,180	\$524,812
Administrative	161	
Prevent Child Abuse	13,525	17,417
Domestic Violence Program	19,510	58,489
Family Life Education	24,469	17,859
Healthy Families	772	236
Car Seat Safety	<u>785</u>	<u>300</u>
Total Net Assets Released from Restrictions	<u>\$88,402</u>	<u>\$619,113</u>

## **NOTE 5 - OPERATING LEASES**

The Association has operating leases for various residential properties for program purposes, expiring at various dates through December 2016. These leases generally contain renewal options. Lease expense was \$66,527 in 2015 and \$90,600 in 2014. At December 31, 2015, the future minimum lease payments required by these long-term noncancellable operating leases are \$69,671 payable in 2016.

## **NOTE 6 - RETIREMENT PLANS**

The Association has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (IRC). The plan covers all employees of the Association. Employees may make contributions to the plan up to the maximum amount allowed by the IRC. The Association provided no matching contributions.

## **NOTE 7 - CONCENTRATIONS**

During the years ended December 31, 2015 and 2014, approximately 71% and 73%, respectively, of FSA's support and revenues were derived from federal awards. Further, FSA received 43% and 30% of its total support and revenue from two Federal Agencies during the years ended December 31, 2015 and 2014, respectively.

## **NOTE 8 - JACKSON STREET COMMONS**

The Association constructed a 27-unit housing complex for homeless veterans in Kokomo, Indiana primarily using federal funding through the Home Investment Partnership Program (HOME) totaling \$2,517,500 awarded by Indiana Housing and Community Development Authority (IHCDA). Under the agreement with IHCDA, the Association must use the rental units to benefit individuals whose incomes are at or below sixty percent of the area median income during the fifteen year affordability period, which expires in fiscal year 2029.

In addition, the Association was awarded a \$500,000 AHP grant to be used for the construction of Jackson Street Commons. Federal Home Loan Bank of Indianapolis (FHLBI) is the administrator of these grant funds and Community First Bank of Indiana in Kokomo is the FHBLI member institution through which the funds are passed. Additionally, Community First Bank of Indiana is charged with providing oversight during construction and the operation of the rental units for the entirety of the grant agreement's fifteen year Retention Period, which began May 14, 2014, the date the rental units were completed. During the Retention Period, the AHP grant agreement requires that Jackson Street Commons remain occupied by and affordable for household incomes as committed to in the AHP application.

Noncompliance with the AHP grant agreement, the agreement with IHCDA, or HOME program requirements may result in repayment of funds. Management believes the Association is in compliance with all requirements. The Association utilizes a property management company to run the day-to-day operations and keep necessary records for grant submissions but still maintains oversight for the program.

## **SUPPLEMENTARY INFORMATION**

*Independent Auditors' Report  
on Supplementary Information*

Board of Directors  
Family Service Association of Howard County, Inc. and  
FSA Asset Management, Inc.

We have audited the consolidated financial statements of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of and for the year ended December 31, 2015, and our report thereon dated September 28, 2016, which contained an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of statement of financial position information and statement of activities information and schedule of grant activity for federal, state, and local government awards are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of grant activity for federal, state, and local government awards is required by the Indiana State Board of Accounts. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
September 28, 2016

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION  
December 31, 2015**

	Association	Asset Management	Consolidated
<b>ASSETS</b>			
Cash	\$ 151,643	\$ 9,360	\$ 161,003
Accounts receivable - clients	2,715		2,715
Grants receivable	262,667		262,667
Prepaid expenses and other assets	24,818		24,818
	<u>441,843</u>	<u>9,360</u>	<u>451,203</u>
Property and Equipment			
Land		73,400	73,400
Buildings and improvements	3,556,836	664,484	4,221,320
Furniture and equipment	460,864		460,864
Leasehold improvements	244,454		244,454
Vehicles	21,389		21,389
	<u>4,283,543</u>	<u>737,884</u>	<u>5,021,427</u>
Less: Accumulated depreciation	618,490	218,770	837,260
Total Property and Equipment	<u>3,665,053</u>	<u>519,114</u>	<u>4,184,167</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,106,896</u>	<u>\$ 528,474</u>	<u>\$ 4,635,370</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 29,988	\$ 6,574	\$ 36,562
Accrued wages	30,418		30,418
Accrued vacation	46,056		46,056
Line of credit borrowings	100,000		100,000
Notes payable and capital leases	72,449	275,605	348,054
Total Liabilities	<u>278,911</u>	<u>282,179</u>	<u>561,090</u>
<b>NET ASSETS</b>			
Unrestricted:			
Undesignated	110,323	246,295	356,618
Building and equipment fund	3,665,053		3,665,053
Total Unrestricted Net Assets	<u>3,775,376</u>	<u>246,295</u>	<u>4,021,671</u>
Temporarily restricted	52,609		52,609
Total Net Assets	<u>3,827,985</u>	<u>246,295</u>	<u>4,074,280</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,106,896</u>	<u>\$ 528,474</u>	<u>\$ 4,635,370</u>

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES INFORMATION  
Year Ended December 31, 2015**

	<b>Association</b>		<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	
<b>SUPPORT AND REVENUES</b>			
Public Support:			
United Way	\$ 299,445		\$ 299,445
Contributions	67,513	\$ 45,261	112,774
Total Public Support	<u>366,958</u>	<u>45,261</u>	<u>412,219</u>
Other support:			
Government support	562,163		562,163
Other grants and awards	65,444		65,444
Total Other Support	<u>627,607</u>		<u>627,607</u>
Revenues:			
Government program revenues	1,028,999		1,028,999
Program service fees	106,570		106,570
Miscellaneous	3,529		3,529
Rental income	40,236		40,236
Special events	30,561		30,561
Total Revenues	<u>1,209,895</u>		<u>1,209,895</u>
Net Assets Released from Restrictions	88,402	(88,402)	
Total Support and Revenues	<u>2,292,862</u>	<u>(43,141)</u>	<u>2,249,721</u>
<b>EXPENSES</b>			
Program services	2,126,986		2,126,986
Management and general	327,163		327,163
Fundraising	56,088		56,088
Total Expenses	<u>2,510,237</u>		<u>2,510,237</u>
<b>DECREASE IN NET ASSETS</b>	(217,375)	(43,141)	(260,516)
<b>NET ASSETS</b>			
Beginning of Year	<u>3,992,751</u>	<u>95,750</u>	<u>4,088,501</u>
End of Year	<u>\$ 3,775,376</u>	<u>\$ 52,609</u>	<u>\$ 3,827,985</u>

See accompanying notes.

<b>Asset Management</b>		
<b>Unrestricted</b>	<b>Eliminations</b>	<b>Consolidated</b>
		\$ 299,445
\$ 2,100	\$ (41,000)	73,874
<u>2,100</u>	<u>(41,000)</u>	<u>373,319</u>
		562,163
		<u>65,444</u>
		<u>627,607</u>
		1,028,999
		106,570
26		3,555
67,200	(67,200)	40,236
		<u>30,561</u>
<u>67,226</u>	<u>(67,200)</u>	<u>1,209,921</u>
<u>69,326</u>	<u>(108,200)</u>	<u>2,210,847</u>
	(67,200)	2,059,786
79,023	(41,000)	365,186
		<u>56,088</u>
<u>79,023</u>	<u>(108,200)</u>	<u>2,481,060</u>
(9,697)		(270,213)
<u>255,992</u>		<u>4,344,493</u>
<u>\$ 246,295</u>	<u>\$ -</u>	<u>\$ 4,074,280</u>

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.  
AND FSA ASSET MANAGEMENT, INC.**

**SCHEDULE OF GRANT ACTIVITY FOR FEDERAL, STATE, AND LOCAL GOVERNMENT AWARDS  
Year Ended December 31, 2015**

	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through from Indiana Criminal Justice Institute: Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	D3-16-10713	\$ 10,000
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	D3-16-10301	46,570
Passed through from Indiana State Department of Health: Maternal and Child Health Services Block Grant to the States	93.994	A70-4-069748	15,424
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through from Indiana Housing and Community Development Authority: Continuum of Care Program - Permanent Supportive Housing Rental Assistance	14.267	SC-015-0159	126,084
Emergency Solutions Grant Program	14.231	ES-015-017	39,733
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through from Indiana Criminal Justice Institute: Sexual Assault Services Formula Program	16.017	D3-16-10360	44,066
Crime Victim Assistance	16.575	D3-16-10573	36,728
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>318,605</u>
<b>NONFEDERAL AWARDS</b>			
City of Kokomo Community Development Block Grant Match			24,335
Howard County Mayor's Task Force on Substance Abuse Prevention			22,797
Indiana Criminal Justice Institute Domestic Violence Prevention and Treatment Service, Training, Officers and Prosecutors			117,223 15,031
Social Services Block Grant Match			16,086
Indiana State Department of Health Tobacco Preventions and Cessation Commission			<u>48,086</u>
<b>TOTAL EXPENDITURES OF NONFEDERAL AWARDS</b>			<u>243,558</u>
<b>TOTAL EXPENDITURES OF FEDERAL, STATE, AND GOVERNMENT AWARDS</b>			<u>\$ 562,163</u>