



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 1, 2018

Board of Directors
Scan, Inc.
500 W. Main Street
Fort Wayne, IN 46802

We have reviewed the report prepared by Scan, Inc. and opined upon by Haines, Isenbarger & Skiba, LLC, Independent Public Accountants, for the period October 1, 2014 to September 30, 2015. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Scan, Inc. as of September 30, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Haines, Isenbarger & Skiba, LLC 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

Financial Statements

SCAN, INC.

*Years ended September 30, 2015 and 2014
with Report of Independent Auditors*

SCAN, Inc.

Financial Statements

Years ended September 30, 2015 and 2014

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Report of Independent Auditors

Board of Directors
SCAN, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of SCAN, Inc. (SCAN), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the years ended September 30, 2015 and 2014. We also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States for the year ended September 30, 2015. 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 SCAN as of September 30, 2015 and 2014, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of SCAN'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 the 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 SCAN's internal control over financial reporting and compliance.

Haines, Asenbarger & Skiba, LLC

January 14, 2016

SCAN, Inc.

Statements of Financial Position

	September 30	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,640	\$ 914,869
Certificates of deposit	-	100,000
Investments	874,342	1,190,855
Government grants receivable	2,860,759	2,029,402
Pledges receivable	314,319	359,385
Prepaid expenses and other current assets	20,614	138,020
Total current assets	<u>4,104,674</u>	<u>4,732,531</u>
Property and equipment:		
Land and land improvements	208,744	208,744
Building	1,116,171	1,116,171
Office equipment	542,025	542,025
Furnishings	387,020	334,384
Construction in progress	690,347	-
	<u>2,944,307</u>	<u>2,201,324</u>
Less accumulated depreciation	1,404,938	1,310,705
Total property and equipment, net	<u>1,539,369</u>	<u>890,619</u>
Other assets:		
Beneficial interest in perpetual trust	233,333	249,738
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	78,028	79,201
Notes receivable	1,800,055	800,055
Total other assets	<u>2,111,416</u>	<u>1,128,994</u>
Total assets	<u>\$ 7,755,459</u>	<u>\$ 6,752,144</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 438,336	\$ 421,647
Accrued expenses	518,767	389,474
Deferred revenue	129,738	226,722
Current portion of capital lease obligation	14,238	13,403
Total current liabilities	<u>1,101,079</u>	<u>1,051,246</u>
Noncurrent liabilities:		
Capital lease obligation, less current portion	27,072	41,310
Deferred grant revenue	1,800,055	800,055
Total noncurrent liabilities	<u>1,827,127</u>	<u>841,365</u>
Net assets:		
Unrestricted	4,588,920	3,680,104
Temporarily restricted	-	924,691
Permanently restricted	238,333	254,738
Total net assets	<u>4,827,253</u>	<u>4,859,533</u>
Total liabilities and net assets	<u>\$ 7,755,459</u>	<u>\$ 6,752,144</u>

See accompanying notes.

SCAN, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and other income								
Contributions	\$ 1,025,903	\$ 46,486	\$ -	\$ 1,072,389	\$ 871,476	\$ 75,000	\$ -	\$ 946,476
Capital campaign contributions	-	34,250	-	34,250	-	746,822	-	746,822
Government grants:								
Child Welfare Services, county and state	2,984,691	-	-	2,984,691	2,230,243	-	-	2,230,243
Healthy Families	3,120,786	-	-	3,120,786	3,045,644	-	-	3,045,644
Community Partners for Child Safety	5,947,433	-	-	5,947,433	5,462,095	-	-	5,462,095
WorkOne (Be Someone Now)	664,195	-	-	664,195	502,807	-	-	502,807
Program fees	307,316	-	-	307,316	227,639	-	-	227,639
United Way	160,163	-	-	160,163	159,771	-	-	159,771
In-kind contributions	51,003	-	-	51,003	52,028	-	-	52,028
Interest and dividend income	99,351	-	-	99,351	43,363	-	-	43,363
Realized and unrealized gain (loss) on investments, net	(108,057)	-	-	(108,057)	23,342	-	-	23,342
Change in value of beneficial interests	(1,173)	-	(16,405)	(17,578)	9,606	-	10,537	20,143
Miscellaneous	(7,438)	-	-	(7,438)	257	-	-	257
Total revenue, support, and other income before net assets released from restrictions	14,244,173	80,736	(16,405)	14,308,504	12,628,271	821,822	10,537	13,460,630
Net assets released from restrictions	1,005,427	(1,005,427)	-	-	57,991	(57,991)	-	-
Total revenue, support, and other income	15,249,600	(924,691)	(16,405)	14,308,504	12,686,262	763,831	10,537	13,460,630
Expenses								
Program services:								
Family Restoration Services	3,454,387	-	-	3,454,387	2,439,512	-	-	2,439,512
Family Connections	155,491	-	-	155,491	158,791	-	-	158,791
Healthy Families	2,336,280	-	-	2,336,280	2,181,285	-	-	2,181,285
Healthy Families Statewide Support Services	929,471	-	-	929,471	965,977	-	-	965,977
Community Partners for Child Safety	4,226,093	-	-	4,226,093	3,742,822	-	-	3,742,822
Community Partners for Child Safety Local Prevention	1,738,784	-	-	1,738,784	1,710,397	-	-	1,710,397
WorkOne (Be Someone Now)	664,089	-	-	664,089	502,834	-	-	502,834
Daybreak Crisis Homes	115,171	-	-	115,171	113,380	-	-	113,380
Other	244,934	-	-	244,934	318,639	-	-	318,639
Total program services	13,864,700	-	-	13,864,700	12,133,637	-	-	12,133,637
Support services:								
Management and general	125,663	-	-	125,663	125,331	-	-	125,331
Fundraising	350,421	-	-	350,421	342,197	-	-	342,197
Total support services	476,084	-	-	476,084	467,528	-	-	467,528
Total expenses	14,340,784	-	-	14,340,784	12,601,165	-	-	12,601,165
Increase (decrease) in net assets	908,816	(924,691)	(16,405)	(32,280)	85,097	763,831	10,537	859,465
Net assets at beginning of year	3,680,104	924,691	254,738	4,859,533	3,595,007	160,860	244,201	4,000,068
Net assets at end of year	\$ 4,588,920	\$ -	\$ 238,333	\$ 4,827,253	\$ 3,680,104	\$ 924,691	\$ 254,738	\$ 4,859,533

See accompanying notes.

SCAN, Inc.

Statement of Functional Expenses

Year ended September 30, 2015

	Program Services										Support Services			Total Expenses
	Family Preservation Services	Family Connections	Healthy Families	Healthy Families Statewide Support Services	Community Partners for Child Safety	Community Partners for Child Safety Local Prevention	WorkOne (Be Someone Now)	Daybreak Crisis Homes	Other	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 2,408,794	\$ 111,211	\$1,557,720	\$ 485,660	\$ 1,051,923	\$ 107,974	\$378,624	\$ 56,053	\$ 55,385	\$ 6,213,344	\$ 24,071	\$ 166,339	\$190,410	\$ 6,403,754
Payroll taxes	202,294	9,441	127,874	39,826	85,178	5,369	31,801	4,737	4,811	511,331	1,343	13,812	15,155	526,486
Employee benefits	352,152	13,590	339,449	95,760	230,037	1,792	72,771	1,774	1,369	1,108,694	10,678	28,619	39,297	1,147,991
Contract services	36,461	1,975	22,947	12,014	2,242,748	1,612,275	11,118	39,958	789	3,980,285	9,495	1,594	11,089	3,991,374
Supplies and materials	113,726	4,238	52,662	64,019	257,698	5,515	108,586	2,697	70,459	679,600	4,573	105,361	109,934	789,534
Printing and publications	17,753	793	13,558	4,012	24,791	517	2,560	451	350	64,785	2,239	21,232	23,471	88,256
Postage	6,674	201	3,490	2,056	6,182	166	634	145	88	19,636	677	4,220	4,897	24,533
Telephone	43,432	2,042	29,992	9,927	64,986	2,060	6,419	994	893	160,745	5,648	2,573	8,221	168,966
Conferences and training	5,620	473	6,435	70,803	23,544	51	348	173	15,713	123,160	6,851	125	6,976	130,136
Insurance	14,153	618	9,463	3,277	18,918	370	2,015	302	2,905	52,021	1,821	780	2,601	54,622
Utilities	10,712	485	7,618	2,363	14,841	309	1,535	237	216	38,316	1,393	597	1,990	40,306
Repairs and maintenance	10,114	453	6,738	2,266	13,857	282	1,446	221	210	35,587	1,391	562	1,953	37,540
Travel—mileage	154,293	957	97,784	79,315	97,981	-	33,634	4,663	573	469,200	2,492	902	3,394	472,594
Minor equipment purchases and rent expense	20,683	589	12,118	28,298	20,404	378	2,424	290	262	85,446	4,318	723	5,041	90,487
Other costs	33,978	7,329	26,933	3,823	56,868	1,534	5,921	1,865	90,753	229,004	46,004	1,838	47,842	276,846
Total expenses before depreciation and interest expense	3,430,839	154,395	2,314,781	903,419	4,209,956	1,738,592	659,836	114,560	244,776	13,771,154	122,994	349,277	472,271	14,243,425
Depreciation expense	22,707	1,058	20,939	25,866	14,973	168	4,132	593	141	90,577	2,559	1,097	3,656	94,233
Interest expense and bank fees	841	38	560	186	1,164	24	121	18	17	2,969	110	47	157	3,126
Total expenses	\$ 3,454,387	\$ 155,491	\$2,336,280	\$ 929,471	\$ 4,226,093	\$1,738,784	\$664,089	\$ 115,171	\$244,934	\$13,864,700	\$ 125,663	\$ 350,421	\$476,084	\$14,340,784

See accompanying notes.

SCAN, Inc.

Statement of Functional Expenses

Year ended September 30, 2014

	Program Services										Support Services			Total Expenses
	Family Preservation Services	Family Connections	Healthy Families	Healthy Families Statewide Support Services	Community Partners for Child Safety	Community Partners for Child Safety Local Prevention	WorkOne (Be Someone Now)	Daybreak Crisis Homes	Other	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 1,742,938	\$ 106,365	\$1,442,719	\$ 549,914	\$ 928,117	\$ 103,546	\$318,119	\$ 52,157	\$ 59,081	\$ 5,302,956	\$ 16,071	\$ 165,373	\$181,444	\$ 5,484,400
Payroll taxes	141,437	8,836	114,462	43,325	76,343	6,126	27,409	4,348	4,931	427,217	1,117	13,100	14,217	441,434
Employee benefits	240,970	19,696	291,586	107,844	188,560	11,914	35,298	2,405	1,840	900,113	27,009	30,484	57,493	957,606
Contract services	15,528	1,500	14,937	8,775	2,075,947	1,545,603	18,575	41,391	398	3,722,654	4,079	1,439	5,518	3,728,172
Supplies and materials	52,067	3,547	72,540	49,213	63,669	4,980	38,856	2,147	106,959	393,978	6,641	93,891	100,532	494,510
Printing and publications	11,092	665	9,923	3,437	18,981	2,656	2,072	329	269	49,424	1,553	20,111	21,664	71,088
Postage	3,724	244	3,200	2,754	7,511	809	740	197	100	19,279	999	2,931	3,930	23,209
Telephone	32,647	1,916	30,532	11,299	68,942	11,458	6,594	1,103	778	165,269	5,945	2,844	8,789	174,058
Conferences and training	5,870	130	6,053	56,897	1,907	147	388	549	21,735	93,676	803	(985)	(182)	93,494
Insurance	14,216	913	13,169	4,901	28,263	4,627	2,111	481	4,151	72,832	2,353	1,313	3,666	76,498
Utilities	7,523	497	6,493	2,433	12,916	1,625	1,501	237	204	33,429	1,050	718	1,768	35,197
Repairs and maintenance	31,827	2,059	26,926	10,189	55,235	6,848	6,280	993	856	141,213	4,472	3,001	7,473	148,686
Travel—mileage	89,223	208	81,750	98,157	93,780	-	23,215	4,510	2,082	392,925	1,465	1,625	3,090	396,015
Minor equipment purchases and rent expense	22,363	2,597	18,384	7,460	17,383	1,920	3,876	1,344	100,254	175,581	2,938	3,214	6,152	181,733
Other costs	11,708	8,545	11,761	3,527	71,193	2,356	13,503	614	14,574	137,781	40,691	1,594	42,285	180,066
Total expenses before depreciation and interest expense	2,423,133	157,718	2,144,435	960,125	3,708,747	1,704,615	498,537	112,805	318,212	12,028,327	117,186	340,653	457,839	12,486,166
Depreciation expense	13,768	901	34,600	5,008	29,507	5,219	3,777	493	357	93,630	2,491	1,295	3,786	97,416
Interest expense and bank fees	2,611	172	2,250	844	4,568	563	520	82	70	11,680	5,654	249	5,903	17,583
Total expenses	\$ 2,439,512	\$ 158,791	\$2,181,285	\$ 965,977	\$ 3,742,822	\$1,710,397	\$502,834	\$ 113,380	\$318,639	\$12,133,637	\$ 125,331	\$ 342,197	\$467,528	\$12,601,165

See accompanying notes.

SCAN, Inc.

Statements of Cash Flows

	Year ended September 30	
	2015	2014
Operating activities		
Increase (decrease) in net assets	\$ (32,280)	\$ 859,465
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	94,233	97,416
Realized and unrealized (gain) loss on investments, net	99,294	(23,342)
Changes in operating assets and liabilities:		
Government grants receivable	(831,357)	79,085
Pledges receivable	45,066	(307,918)
Prepaid expenses and other current assets	117,406	(137,631)
Beneficial interests	17,578	(20,143)
Accounts payable	16,689	(15,203)
Accrued expenses	129,293	11,395
Deferred revenues	(96,984)	(102,660)
Deferred grant revenue	1,000,000	800,055
Net cash provided by operating activities	<u>558,938</u>	<u>1,240,519</u>
Investing activities		
Purchases of property and equipment	(742,983)	(49,819)
Purchase of investments	(21,620)	(487,886)
Proceeds from sale and maturities of investments	238,839	207,104
Net change in certificates of deposit	100,000	(100,000)
Issuance of notes receivable	(1,000,000)	(800,055)
Net cash used in investing activities	<u>(1,425,764)</u>	<u>(1,230,656)</u>
Financing activity —payments on capital lease obligation	<u>(13,403)</u>	<u>(12,616)</u>
Decrease in cash and cash equivalents	(880,229)	(2,753)
Cash and cash equivalents at beginning of year	914,869	917,622
Cash and cash equivalents at end of year	<u>\$ 34,640</u>	<u>\$ 914,869</u>

See accompanying notes.

SCAN, Inc.

Notes to Financial Statements

September 30, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

SCAN, Inc. (SCAN) was established in the state of Indiana. SCAN's mission is to eliminate the abuse and neglect of children through family services, education and community partnerships.

SCAN has two primary service areas: Prevention and Family Restoration. The Prevention programs include Healthy Families, The Network for Safe Families, Community Partners for Safe Families, Building Strong Families, Starting School Successfully, and Daybreak Crisis Homes. The Restoration programs include Home-Based Family Centered Case Management and Visitation Facilitation.

Healthy Families—The Healthy Families program helps prevent abuse and neglect by working one-on-one with overwhelmed families that are struggling to balance raising children with life's demands. Targeted to help parents of newborn children, Healthy Families enrolls parents during pregnancy or immediately after the birth of their child. Most parents are screened in the hospital, and if they show signs of being overwhelmed, are offered the program. One-on-one, in-home services begin weekly and can last up to five years. The Healthy Families program works with parents to teach appropriate discipline, to review child development and age-appropriate expectations of children, to assist parents in building a strong network of support from family, neighbors, and churches; to help parents develop budgeting, time-management, and stress-management skills to better balance parenting and home-management, and to link families to community resources for health care, financial aid, food, housing, school-readiness, child care, job training, substance-abuse treatment and other mental health assistance.

Family Connections—Family Connections offers programs to help people address conflict and changing family situations due to a divorce, separation, or paternity issue. Programs include Pre-Divorce workshops, Kids & Divorce workshops, Parenting Coordination, Supervised Parenting Time, and Conflict groups. Some of these programs require a judge's order, others are completely voluntary.

Community Partners for Child Safety (The Network for Safe Families and Community Partners for Safe Families)—The Community Partners for Child Safety is a state initiative designed to help families before they cross the line into child abuse or neglect. Through the Network and Community Partners programs, SCAN works with other local social service

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

agencies to offer parents help with situations that are interfering with their ability to manage their families. The goal of these programs is to provide families with in-home, one-on-one services that strengthen the family and prevent child abuse or neglect. Network and Community Partners services are offered by expert providers in every county it serves. In addition, SCAN operates a Community Outreach and Education program within these programs to increase awareness of the programs and other child abuse and neglect prevention. The Network serves families living in Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley counties. Community Partners offers help to families living in the following counties: Elkhart, Kosciusko, Marshall, and St. Joseph.

Family Preservation—

Home-Based Family Centered Case Management—A court-ordered program, Home-Based Family Centered Case Management works with parents who have abused or neglected their children. Our staff works with a family in their home, one to two hours at a time, to establish stability and teach them how to end the cycle of violence in their lives. They:

- Support the family through crisis and stress.
- Teach the difference between discipline and punishment.
- Teach parents skills to ensure their child's safety.
- Provide home based therapy.
- Provide instruction, guidance, and role-modeling of appropriate parenting and home management skills.
- Work to reunite families when children can be safe at home.
- Update the child welfare caseworker on the family's home environment.

SCAN's Home-Based team members assess a family's situation, develop a plan to help the family, and supervise the family's progress in achieving their goals. In addition, SCAN assists clients with:

- Job search
- Child development and care
- Attending counseling
- Furthering education
- Communication
- Budgeting
- Nutrition and menu planning

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Visitation Facilitation—Visitation Facilitation offers abused and neglected children a safe place to visit their parents, siblings, grandparents, and relatives. This program plays a crucial role in establishing or improving the bond between children and their families. Visits usually begin in SCAN's offices and can progress to in-home visits.

Clinical Services—Over the last four years, SCAN has responded to the needs of families by adding home-based and office-based therapy. SCAN has hired masters trained counselors to work with families. These therapists provide cutting edge evidence based therapy to families who have been struggling with child abuse and neglect. These therapists work with children and families where severe trauma has occurred do to maltreatment. This is the fastest growing sector of SCAN.

Joan Sherman Program for Resilient Children—The Joan Sherman Program for Resilient Children is partnership with the Devereux Center for Resilient Children; through which, SCAN is providing resilience focused services for Family Restoration. Project goals include fostering resilience building skills (protective factors) in children who have experienced abuse and neglect that will help them succeed in school and life. The program develops new skills in the parents of children who have experienced abuse and neglect to help parents build their child's resilience and improves the likelihood of successful family reunification either with the biological family, or permanency planning with an adoptive family. The SCAN staff providing services are called Resiliency Workers as they coach and mentor to support and strengthen the parent-child relationship. They provide positive affirmations and positive interaction through conversation and play. They also provide instruction about child development and managing needs of children of differing ages at the same time and teach age-appropriate discipline. They teach parent(s) to respond to their child's cues appropriately. Resiliency Workers identify and assess potentially stressful situations between the parent and their child and help parents gain confidence in meeting their child's needs. This program also includes a research component which systematically evaluates the effectiveness of the resilience program implemented. The objective of the research component is to develop and disseminate a research-based, resilience-building, model program that can be used by organizations offering supervised visitation, and home visits in the child welfare system nationwide.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Be SomeOne Now (BSON)—Be SomeOne Now is a program of Northeast Indiana Works and SCAN, and serving 16-21 year olds working toward a GED or High School Equivalency Diploma. SCAN provides services in 11 counties in Northeast Indiana including Adams, Allen, DeKalb, Grant, Huntington, LaGrange, Noble, Steuben, Wabash, Wells, and Whitley. Youth ages 16-21 must meet income requirements (70 percent of Federal Poverty Guidelines) and be a high school drop-out, without a GED. Young adults are referred by GED programs and alternative schools, probation and parole, social service organizations, family members, high school guidance counselors, and by other programs at SCAN. Staff are Young Adult Advocates and provide assistance with identifying educational and career goals, intensive case management to eliminate barriers to success, intensive 10 week soft skills training, leadership opportunities, tutoring, job placement, and up to \$2,500 in tuition assistance.

Daybreak Crisis Homes—SCAN's Daybreak Crisis Homes offers emergency short-term care for Allen County children whose parents are in crisis and have no one else to care for their children. Primarily serving newborns and children to 10 years of age, Daybreak can also accept older siblings. Children of other ages are approved on a case-by-case basis.

Fairfield Community Home GP, LLC

SCAN is the sole corporate member of Fairfield Community Home GP, LLC which is a general partner (.01 percent interest) in Fairfield Community Home, LP. Fairfield Community Home, LP (Limited Partnership) is an Indiana limited partnership that was established for the purpose of constructing and operating a 36-unit affordable residential rental housing project in Fort Wayne, Indiana known as Fairfield Community Home (also known as The Courtyard of Fort Wayne) (Project).

Funding for the approximately \$8.7 million Project was provided in part from proceeds received by SCAN from the Indiana Housing and Community Development Authority (IHCDA), City of Fort Wayne, and Affordable Housing Program (AHP) funds passed through the Federal Home Loan Bank of Indianapolis that were loaned to the Limited Partnership. These loans are secured by the real estate and the assignment of rents and security deposits. The funds received by SCAN were loaned to the Limited Partnership for a term of 30 years (*see Note 6*).

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

SCAN is a secondary guarantor on loans for the Project, which has a loan balance as of September 30, 2015 of \$5,623,294. As the general partner, Fairfield Community Home GP, LLC is responsible to contribute funds, as a contribution of capital, to cover operating deficits, if any, of the Project. As of September 30, 2015, no additional capital contributions have been required.

Due to SCAN's limited control in Fairfield Community Homes, LP, and due to the substantive participating rights of the limited partner, management has determined that consolidation of its financial information is not required.

SCAN is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code, and qualifies for the 50 percent charitable deduction limitation. However, SCAN is subject to federal income tax on any unrelated business taxable income. Management believes SCAN is no longer subject to examination by tax authorities for years before September 30, 2012. SCAN has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Cash and Cash Equivalents and Certificates of Deposit

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. SCAN maintains cash accounts and certificates of deposit at local financial institutions. Certificates of deposit are recorded at cost plus accrued interest (carrying value), which approximates fair value. From time to time during the year, SCAN's cash accounts exceeded federally insured limits.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 5* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for building and equipment that has been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of

September 30, 2015 and 2014. Property and equipment with a cost of \$5,000 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	10 years
Building	25 years
Office equipment and furnishings	3 – 7 years

Expenditures for normal repairs and maintenance are expensed when incurred.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor-imposed restrictions placed upon them. In addition, SCAN has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of SCAN pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently, but permits SCAN to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable

Contributions, including gifts, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value. SCAN reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, SCAN reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. SCAN reclassifies these temporarily restricted net assets to unrestricted net assets at that time.

SCAN provides an allowance for doubtful accounts, which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables. As of September 30, 2015 and 2014, no allowance for doubtful accounts was deemed necessary.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

Government Grants

Support funded by government grants is recognized as SCAN performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Government Grants (continued)

a result of such audit, adjustments could be required. The government grants were received from the Indiana Department of Child Services pursuant to programs awarded by the United States Department of Health and Human Services.

Functional Allocation of Expenses

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

Use of Estimates

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

Reclassifications

Certain amounts for the year ended September 30, 2014 have been reclassified to conform with the presentation for the year ended September 30, 2015. The reclassifications had no impact on net assets as of September 30, 2014.

2. Investments

The fair value of investments is as follows:

	September 30	
	2015	2014
Money market funds	\$ 37,981	\$ 4,426
Corporate bonds and notes	94,732	273,655
Mutual funds	741,629	912,774
Total investments, at fair value	<u>\$ 874,342</u>	<u>\$ 1,190,855</u>
Total investments, at historical cost	<u>\$ 896,742</u>	<u>\$ 1,073,591</u>

SCAN, Inc.

Notes to Financial Statements (continued)

2. Investments (continued)

The composition of return on investments, certificates of deposit, and cash equivalents recognized in the statements of activities and changes in net assets is as follows:

	Year ended September 30	
	2015	2014
Investment income (loss):		
Interest and dividend income	\$ 99,351	\$ 43,363
Realized and unrealized gain (loss) on investments	(99,294)	30,878
	57	74,241
Investment expenses	(8,763)	(7,536)
Investment income (loss), net	\$ (8,706)	\$ 66,705

3. Beneficial Interest in Perpetual Trust

SCAN has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, SCAN has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The estimated value of SCAN's beneficial interest in the perpetual trust was \$233,333 and \$249,738 at September 30, 2015 and 2014, respectively, which represents the fair market value of SCAN's proportional interest in the trust assets.

4. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$78,028 and \$79,201 at September 30, 2015 and 2014, respectively, is the result of an agreement whereby SCAN has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. SCAN may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. The beneficial interest in funds held by the Community Foundation is valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Turnstone has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2015 and 2014.

Mutual funds: Valued at the net asset value (NAV) of shares held by SCAN at year-end.

Beneficial interest in perpetual trust: SCAN's proportional interest in the trust assets is valued at the fair market value of the underlying investments as reported by the investment manager at year-end.

Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.: Valued at the fair market value of the underlying investments as reported by the Community Foundation of Greater Fort Wayne Inc. at year-end.

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SCAN believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, SCAN's assets at fair value as of September 30, 2015 and 2014:

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 37,981	\$ -	\$ -	\$ 37,981
Corporate bonds and notes	-	94,732	-	94,732
Mutual funds:				
Equity funds:				
Large growth	182,216	-	-	182,216
Large value	125,042	-	-	125,042
Small blend	58,262	-	-	58,262
Small growth	83,036	-	-	83,036
Global real estate	36,886	-	-	36,886
Multialternative	31,874	-	-	31,874
International:				
Diversified emerging markets	48,090	-	-	48,090
Foreign—large blend	102,525	-	-	102,525
Fixed income funds:				
High yield bond	73,698	-	-	73,698
	<u>741,629</u>	<u>-</u>	<u>-</u>	<u>741,629</u>
Total investments	779,610	94,732	-	874,342
Beneficial interest in perpetual trust	-	233,333	-	233,333
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	78,028	-	78,028
Total other assets at fair value	<u>-</u>	<u>311,361</u>	<u>-</u>	<u>311,361</u>
Assets at fair value	<u>\$ 779,610</u>	<u>\$ 406,093</u>	<u>\$ -</u>	<u>\$ 1,185,703</u>

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,426	\$ -	\$ -	\$ 4,426
Corporate bonds and notes	-	273,655	-	273,655
Mutual funds:				
Equity funds:				
Large growth	225,034	-	-	225,034
Large value	158,287	-	-	158,287
Small blend	67,465	-	-	67,465
Small growth	104,468	-	-	104,468
Global real estate	44,918	-	-	44,918
Multialternative	36,719	-	-	36,719
International:				
Diversified emerging markets	63,239	-	-	63,239
Foreign—large blend	122,292	-	-	122,292
Fixed income funds:				
High yield bond	90,352	-	-	90,352
	912,774	-	-	912,774
Total investments	917,200	273,655	-	1,190,855
Beneficial interest in perpetual trust	-	249,738	-	249,738
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	79,201	-	79,201
Total other assets at fair value	-	328,939	-	328,939
Assets at fair value	\$ 917,200	\$ 602,594	\$ -	\$ 1,519,794

SCAN, Inc.

Notes to Financial Statements (continued)

6. Notes Receivable and Deferred Grant Revenue

Notes receivable consist of the following:

	September 30	
	2015	2014
Note receivable from Fairfield Community Home, LP, payable in full plus accrued interest at a rate of 3% due on December 31, 2043.	\$ 427,105	\$ 427,105
Note receivable from Fairfield Community Home, LP, payable in full plus accrued interest at a rate of 3% due on December 31, 2043.	372,950	372,950
Note receivable from Fairfield Community Home, LP, non-interest bearing note due on July 1, 2044.	691,602	-
Note receivable from Fairfield Community Home, LP, non-interest bearing note due on July 1, 2044.	308,398	-
	<u>\$ 1,800,055</u>	<u>\$ 800,055</u>

SCAN received grants which were for construction of a rental housing project (see *Note 1*). SCAN loaned these funds to a related party limited partnership to help fund this project, which is the primary purpose of these notes receivable. If SCAN terminates the project before the investment tax credit period is over, SCAN will be required to pay back all or a portion of the grant amounts. Therefore, SCAN has deferred grant revenue in the amount of \$1,800,055 and \$800,055 at September 30, 2015 and 2014, respectively.

7. Debt Arrangements

Pursuant to a revolving line of credit arrangement with a bank, SCAN may borrow up to \$500,000 subject to certain terms and conditions. This line of credit arrangement is secured by SCAN's equipment, accounts receivable, and certain other assets and expires on March 1, 2016. The line of credit arrangement bears interest at the prime rate plus .5 percent but may not be lower than 4 percent (4 percent at September 30, 2015), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at September 30, 2015 and 2014.

SCAN, Inc.

Notes to Financial Statements (continued)

8. Lease

SCAN leases a copier pursuant to a noncancelable capital lease arrangement that expires in 2018.

Assets recorded pursuant to this agreement included in property and equipment consist of the following:

Furnishings	\$ 70,366
Less allowance for amortization	<u>17,592</u>
	<u>\$ 52,774</u>

SCAN recorded amortization expense of \$14,074 for the year ended September 30, 2014. Such amortization is included in depreciation expense for financial reporting purposes.

Future minimum lease payments as of September 30, 2015 pursuant to capital leases that have initial or remaining noncancelable terms in excess of one year are as follows:

2016	\$ 16,350
2017	16,350
2018	<u>12,251</u>
Total minimum lease payments	44,951
Less amounts representing interest	<u>3,641</u>
Capital lease obligation	41,310
Less current portion	<u>14,238</u>
	<u>\$ 27,072</u>

9. Net Assets

Unrestricted net assets are as follows:

	September 30	
	2015	2014
Board designated endowment funds	\$ 85,988	\$ 85,988
General operating funds	<u>4,502,932</u>	<u>3,594,116</u>
	<u>\$ 4,588,920</u>	<u>\$ 3,680,104</u>

SCAN, Inc.

Notes to Financial Statements (continued)

9. Net Assets (continued)

Temporarily restricted net assets are to be used for the following purposes:

	September 30	
	2015	2014
Healthy Families program	\$ -	\$ 92,976
Building expansion and renovation pursuant to capital campaign	-	831,715
	<u>\$ -</u>	<u>\$ 924,691</u>

Net assets released from donor restrictions as a result of incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors were \$1,005,427 and \$57,991 for the years ended September 30, 2015 and 2014, respectively.

Permanently restricted net assets are restricted to:

	September 30	
	2015	2014
Beneficial interest in perpetual trust	\$ 233,333	\$ 249,738
Other	5,000	5,000
	<u>\$ 238,333</u>	<u>\$ 254,738</u>

10. Employee Benefits

SCAN maintains a 403(b) employer contributory tax-deferred annuity plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. SCAN's contribution consists of a matching contribution of 100 percent of employee contributions, up to 3 percent of eligible employee compensation. SCAN's contribution to the plan was \$57,318 and \$49,481 for the years ended September 30, 2015 and 2014, respectively.

11. Related Party Transactions

Certain members of the Board of Directors are employed by companies providing banking, insurance, construction, and other services to SCAN. The fees paid to these companies were based on customary and reasonable rates for such services.

SCAN, Inc.

Notes to Financial Statements (continued)

12. Subsequent Events

Management has evaluated subsequent events through January 14, 2016, the date on which the financial statements were available to be issued.