



STATE OF INDIANA
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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


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, 2015 to September 30, 2016. 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, 2016 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, 2016 and 2015
with Report of Independent Auditors*

SCAN, Inc.

Financial Statements

Years ended September 30, 2016 and 2015

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements.....	8



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, 2016 and 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCAN as of September 30, 2016 and 2015, 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 December 29, 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

December 29, 2016

SCAN, Inc.

Statements of Financial Position

	September 30	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 632,830	\$ 34,640
Investments	701,044	874,342
Government grants receivable	2,628,478	2,860,759
Pledges receivable	158,155	314,319
Prepaid expenses and other current assets	388	20,614
Total current assets	<u>4,120,895</u>	<u>4,104,674</u>
Property and equipment:		
Land and land improvements	208,744	208,744
Building	1,710,235	1,116,171
Office equipment	542,025	542,025
Furnishings	806,234	387,020
Construction in progress	-	690,347
	<u>3,267,238</u>	<u>2,944,307</u>
Less accumulated depreciation	<u>1,532,161</u>	<u>1,404,938</u>
Total property and equipment, net	<u>1,735,077</u>	<u>1,539,369</u>
Other assets:		
Beneficial interest in perpetual trust	235,147	233,333
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	87,523	78,028
Notes receivable	<u>1,800,055</u>	<u>1,800,055</u>
Total other assets	<u>2,122,725</u>	<u>2,111,416</u>
Total assets	<u><u>\$ 7,978,697</u></u>	<u><u>\$ 7,755,459</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 417,954	\$ 438,336
Accrued expenses	476,533	518,767
Deferred revenue	83,769	129,738
Current portion of capital lease obligations	71,708	14,238
Total current liabilities	<u>1,049,964</u>	<u>1,101,079</u>
Noncurrent liabilities:		
Capital lease obligations, less current portion	213,548	27,072
Deferred grant revenue	<u>1,800,055</u>	<u>1,800,055</u>
Total noncurrent liabilities	<u>2,013,603</u>	<u>1,827,127</u>
Net assets:		
Unrestricted	4,674,983	4,588,920
Temporarily restricted	-	-
Permanently restricted	<u>240,147</u>	<u>238,333</u>
Total net assets	<u>4,915,130</u>	<u>4,827,253</u>
Total liabilities and net assets	<u><u>\$ 7,978,697</u></u>	<u><u>\$ 7,755,459</u></u>

See accompanying notes.

SCAN, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and other income								
Contributions	\$ 1,042,037	\$ 8,728	\$ -	\$ 1,050,765	\$ 1,025,903	\$ 46,486	\$ -	\$ 1,072,389
Capital campaign contributions	-	5,034	-	5,034	-	34,250	-	34,250
Government grants:								
Child Welfare Services, county and state	4,554,808	-	-	4,554,808	2,984,691	-	-	2,984,691
Healthy Families	3,335,122	-	-	3,335,122	3,120,786	-	-	3,120,786
Community Partners for Child Safety	6,039,655	-	-	6,039,655	5,947,433	-	-	5,947,433
WorkOne (Be Someone Now)	819,869	-	-	819,869	664,195	-	-	664,195
Program fees	240,054	-	-	240,054	307,316	-	-	307,316
United Way	155,614	-	-	155,614	160,163	-	-	160,163
In-kind contributions	51,003	-	-	51,003	51,003	-	-	51,003
Interest and dividend income	93,811	-	-	93,811	99,351	-	-	99,351
Realized and unrealized loss on investments, net	(23,036)	-	-	(23,036)	(108,057)	-	-	(108,057)
Change in value of beneficial interests	9,496	-	1,814	11,310	(1,173)	-	(16,405)	(17,578)
Miscellaneous	36,640	-	-	36,640	(7,438)	-	-	(7,438)
Total revenue, support, and other income								
before net assets released from restrictions	16,355,073	13,762	1,814	16,370,649	14,244,173	80,736	(16,405)	14,308,504
Net assets released from restrictions	13,762	(13,762)	-	-	1,005,427	(1,005,427)	-	-
Total revenue, support, and other income	16,368,835	-	1,814	16,370,649	15,249,600	(924,691)	(16,405)	14,308,504
Expenses								
Program services:								
Family Preservation Services	5,231,896	-	-	5,231,896	3,454,387	-	-	3,454,387
Family Connections	159,608	-	-	159,608	155,491	-	-	155,491
Healthy Families	2,352,269	-	-	2,352,269	2,336,280	-	-	2,336,280
Healthy Families Statewide Support Services	758,310	-	-	758,310	929,471	-	-	929,471
Community Partners for Child Safety	4,183,874	-	-	4,183,874	4,226,093	-	-	4,226,093
Community Partners for Child Safety Local Prevention	1,856,980	-	-	1,856,980	1,738,784	-	-	1,738,784
WorkOne (Be Someone Now)	822,148	-	-	822,148	664,089	-	-	664,089
Daybreak Crisis Homes	108,355	-	-	108,355	115,171	-	-	115,171
Other	243,952	-	-	243,952	244,934	-	-	244,934
Total program services	15,717,392	-	-	15,717,392	13,864,700	-	-	13,864,700
Support services:								
Management and general	186,396	-	-	186,396	125,663	-	-	125,663
Fundraising	378,984	-	-	378,984	350,421	-	-	350,421
Total support services	565,380	-	-	565,380	476,084	-	-	476,084
Total expenses	16,282,772	-	-	16,282,772	14,340,784	-	-	14,340,784
Increase (decrease) in net assets	86,063	-	1,814	87,877	908,816	(924,691)	(16,405)	(32,280)
Net assets at beginning of year	4,588,920	-	238,333	4,827,253	3,680,104	924,691	254,738	4,859,533
Net assets at end of year	\$ 4,674,983	\$ -	\$ 240,147	\$ 4,915,130	\$ 4,588,920	\$ -	\$ 238,333	\$ 4,827,253

See accompanying notes.

SCAN, Inc.

Statement of Functional Expenses

Year ended September 30, 2016

	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 Prevention	Community Partners for Child Safety Now)	WorkOne (Be Someone)	Daybreak Crisis Homes	Other	Total Program Services	Management and General		Fundraising
Salaries	\$ 3,482,434	\$ 104,766	\$1,587,828	\$ 421,197	\$ 1,077,097	\$ 120,321	\$501,144	\$ 46,475	\$ 63,970	\$ 7,405,232	\$ 23,589	\$ 187,530	\$211,119	\$ 7,616,351
Payroll taxes	283,685	8,639	128,364	33,368	88,288	5,275	42,435	3,931	6,765	600,750	1,565	14,740	16,305	617,055
Employee benefits	555,967	20,977	330,644	76,600	239,011	2,044	74,536	2,497	8,741	1,311,017	12,323	29,541	41,864	1,352,881
Contract services	53,299	4,641	17,427	6,634	2,192,105	1,721,003	4,601	43,464	17,394	4,060,568	3,766	1,614	5,380	4,065,948
Professional fees	15,929	4,786	13,103	1,630	14,980	327	1,670	926	1,268	54,619	42,137	707	42,844	97,463
Supplies and materials	176,853	4,225	60,421	68,260	212,166	1,270	119,914	3,099	137,764	783,972	7,049	131,759	138,808	922,780
Printing and publications	30,552	999	15,031	3,547	31,647	601	3,656	470	353	86,856	3,096	1,352	4,448	91,304
Postage	4,913	160	2,356	1,591	5,146	97	573	69	60	14,965	475	225	700	15,665
Occupancy	73,718	2,826	15,296	4,753	42,253	635	4,246	444	327	144,498	34,563	1,418	35,981	180,479
Telephone	72,461	2,148	31,561	8,485	68,863	1,201	8,896	842	622	195,079	6,871	3,230	10,101	205,180
Conferences and training	18,404	1,178	12,151	51,833	15,770	208	1,862	735	820	102,961	1,618	459	2,077	105,038
Insurance	16,968	587	8,478	2,073	18,642	354	2,094	244	4,176	53,616	1,828	784	2,612	56,228
Utilities	14,846	426	6,223	1,554	13,618	257	1,521	181	132	38,758	1,348	578	1,926	40,684
Repairs and maintenance	5,527	251	2,731	665	6,116	114	1,085	79	58	16,626	588	252	840	17,466
Travel—mileage	326,188	521	81,618	63,840	75,860	9	40,944	3,341	721	593,042	17,731	1,091	18,822	611,864
Minor equipment purchases and rent expense	35,546	446	8,708	4,538	19,353	270	5,376	696	138	75,071	5,262	866	6,128	81,199
Total expenses before depreciation and interest expense	5,167,290	157,576	2,321,940	750,568	4,120,915	1,853,986	814,553	107,493	243,309	15,537,630	163,809	376,146	539,955	16,077,585
Depreciation expense	62,517	1,966	29,336	7,485	60,806	2,954	7,357	832	622	173,875	22,235	2,745	24,980	198,855
Interest expense and bank fees	2,089	66	993	257	2,153	40	238	30	21	5,887	352	93	445	6,332
Total expenses	<u>\$ 5,231,896</u>	<u>\$ 159,608</u>	<u>\$2,352,269</u>	<u>\$ 758,310</u>	<u>\$4,183,874</u>	<u>\$1,856,980</u>	<u>\$822,148</u>	<u>\$108,355</u>	<u>\$243,952</u>	<u>\$15,717,392</u>	<u>\$ 186,396</u>	<u>\$ 378,984</u>	<u>\$565,380</u>	<u>\$16,282,772</u>

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 Prevention	Community Partners 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
Professional fees	11,515	4,605	6,418	2,626	14,054	264	2,657	1,195	90,913	134,247	9,461	628	10,089	144,336
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
Occupancy	25,416	2,385	23,675	5,037	33,391	502	3,440	513	397	94,756	36,545	1,212	37,757	132,513
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	(2,953)	339	(3,160)	(3,840)	9,423	768	(176)	157	(557)	1	(2)	(2)	(4)	(3)
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	<u>\$ 3,454,387</u>	<u>\$ 155,491</u>	<u>\$2,336,280</u>	<u>\$ 929,471</u>	<u>\$4,226,093</u>	<u>\$1,738,784</u>	<u>\$664,089</u>	<u>\$115,171</u>	<u>\$244,934</u>	<u>\$13,864,700</u>	<u>\$ 125,663</u>	<u>\$ 350,421</u>	<u>\$476,084</u>	<u>\$14,340,784</u>

See accompanying notes.

SCAN, Inc.

Statements of Cash Flows

	Year ended September 30	
	2016	2015
Operating activities		
Increase (decrease) in net assets	\$ 87,877	\$ (32,280)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	198,855	94,233
Realized and unrealized loss on investments, net	16,850	99,294
Changes in operating assets and liabilities:		
Government grants receivable	232,281	(831,357)
Pledges receivable	156,164	45,066
Prepaid expenses and other current assets	20,227	117,406
Beneficial interests	(11,310)	17,578
Accounts payable	(20,382)	16,689
Accrued expenses	(42,234)	129,293
Deferred revenues	(45,969)	(96,984)
Deferred grant revenue	-	1,000,000
Net cash provided by operating activities	<u>592,359</u>	<u>558,938</u>
Investing activities		
Purchases of property and equipment	(116,736)	(742,983)
Purchase of investments	(85,700)	(21,620)
Proceeds from sale and maturities of investments	242,148	238,839
Net change in certificates of deposit	-	100,000
Issuance of notes receivable	-	(1,000,000)
Net cash provided by (used in) investing activities	<u>39,712</u>	<u>(1,425,764)</u>
Financing activity —payments on capital lease obligations	<u>(33,881)</u>	<u>(13,403)</u>
Increase (decrease) in cash and cash equivalents	598,190	(880,229)
Cash and cash equivalents at beginning of year	34,640	914,869
Cash and cash equivalents at end of year	<u>\$ 632,830</u>	<u>\$ 34,640</u>
Supplemental disclosure of non-cash activities		
Property and equipment acquired via capital leases	\$ 277,647	\$ -

SCAN, Inc.

Notes to Financial Statements

September 30, 2016

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 Preservation. 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 Preservation programs include Home-Based Family Centered Case Management and Visitation Facilitation. During the year ended September 30, 2016, SCAN assumed contracts for the family prevention services that expanded coverage from 19 to 38 counties.

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 one to three 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 statewide initiative designed to help families before they cross the line into abuse or neglect. Through the Network and Community Partners programs, SCAN works with other local social service agencies to offer caregivers 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

SCAN, Inc.

Notes to Financial Statements (continued)

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

Organization (continued)

the family and prevent child abuse or neglect. Network and Community Partners services are offered by expert providers in every county it serves. Services include support, education, and advocacy in areas such as parenting and discipline, housing, employment, medical follow up, budgeting, and school issues. In addition, SCAN also contracts with and supervises various prevention programs in each county through Local Prevention Dollars to address specific needs in each community. 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 Cass, Elkhart, Fulton, Howard, Kosciusko, Marshall, Miami, St. Joseph, and Wabash Counties.

Family Preservation (Paraprofessional & Bachelor's level staff)

Home-Based Casework & Homemaker Services

These are court-mandated service for children who have been abused or neglected and their parents. The referrals are made by the Indiana Department of Child Services (DCS). Paraprofessional (Homemaker) and Bachelor-level staff (Home-Based Casework) provide in-home, high quality, family centered casework services to parents to enhance family resilience, support nurturing relationships and create safe physical environment for the family. Service includes crisis response that comprise assessment and goal planning to meet the complex needs of families. Ongoing services are provided to ensure safety in the home. Frequency of visits is determined by the needs of the family and DCS.

Visitation Facilitation

This is a court-mandated service for children that have been abused or neglected and their parents. The referrals are made by DCS. This service occurs at SCAN's offices, a client's home, or in a public venue. The goal of a visitation is to keep the child(ren) safe while improving resilience within the family. This program plays a crucial role in establishing or improving the bond between children and their families. Frequency of visits are determined by the needs of the family and DCS. Typically families have visits at least weekly for two hours per week.

SCAN, Inc.

Notes to Financial Statements (continued)

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

Family Preservation (Master's level staff)

Home-Based Family Centered Therapy & Counseling

This is a court-mandated service for children who have been abused or neglected and their parents. The referrals are made by DCS. A home- or office-based service facilitated by a clinician that provides high-quality, individualized, structured, goal-focused interventions for families recovering from abuse and neglect. Frequency of visits is determined by the needs of the family and DCS.

Trauma-Focused Cognitive Behavioral Therapy

This is a court-mandated service for children who have been sexually abused or children exposed to trauma and parents and caregivers who did not participate in the abuse. The referrals are made by DCS. This is an evidence-based highly collaborative therapeutic intervention model designed to help children and their parents overcome the negative effects of traumatic life events by having them work together with a clinician and case manager to identify common goals and attain them.

Family Centered Treatment

This is a comprehensive court-mandated service for children who have been abused or neglected and their parents. The referrals are made by DCS. This is an evidence-based, family-centered treatment approach for keeping families together. Family Centered Treatment provides intensive home-based therapy, case management, crisis intervention. This service requires a minimum of five hours of face to face time per family per week by a licensed Master's level Professional. The family is served for minimum of six months. 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

SCAN, Inc.

Notes to Financial Statements (continued)

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

Organization (continued)

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.

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).

SCAN, Inc.

Notes to Financial Statements (continued)

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

Organization (continued)

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 is a secondary guarantor on loans for the Project, which has a loan balance as of September 30, 2016 of \$495,630. 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, 2016, 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, 2013. 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

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. SCAN maintains cash accounts at local financial institutions. 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.

SCAN, Inc.

Notes to Financial Statements (continued)

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

Investments (continued)

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.

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, 2016 and 2015. 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

SCAN, Inc.

Notes to Financial Statements (continued)

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

Net Assets (continued)

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.

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, 2016 and 2015, 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.

SCAN, Inc.

Notes to Financial Statements (continued)

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

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 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. Other government grants were received pursuant to programs awarded by the United States Department of Labor and Department of Housing and Urban Development.

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, 2015 have been reclassified to conform with the presentation for the year ended September 30, 2016. The reclassifications had no impact on net assets as of September 30, 2015.

SCAN, Inc.

Notes to Financial Statements (continued)

2. Investments

The fair value of investments is as follows:

	September 30	
	2016	2015
Money market funds	\$ 150	\$ 37,981
Corporate bonds and notes	102,010	94,732
Mutual funds	598,884	741,629
Total investments, at fair value	\$ 701,044	\$ 874,342
Total investments, at historical cost	\$ 742,980	\$ 896,742

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	
	2016	2015
Investment income (loss):		
Interest and dividend income	\$ 93,811	\$ 99,351
Realized and unrealized loss on investments	(16,850)	(99,294)
	76,961	57
Investment expenses	(6,186)	(8,763)
Investment income (loss), net	\$ 70,775	\$ (8,706)

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 \$235,147 and \$233,333 at September 30, 2016 and 2015, respectively, which represents the fair market value of SCAN's proportional interest in the trust assets.

SCAN, Inc.

Notes to Financial Statements (continued)

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 \$87,523 and \$78,028 at September 30, 2016 and 2015, 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.

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 SCAN 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.

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

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, 2016 and 2015.

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.

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.

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, SCAN's assets at fair value as of September 30, 2016 and 2015:

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 150	\$ -	\$ -	\$ 150
Corporate bonds and notes	-	102,010	-	102,010
Mutual funds:				
Equity funds:				
Large growth	129,005	-	-	129,005
Large value	128,973	-	-	128,973
Small blend	50,839	-	-	50,839
Small growth	60,916	-	-	60,916
Global real estate	31,060	-	-	31,060
Multialternative	23,454	-	-	23,454
International:				
Diversified emerging markets	37,899	-	-	37,899
Foreign—large blend	82,957	-	-	82,957
Fixed income funds:				
High yield bond	53,781	-	-	53,781
	598,884	-	-	598,884
Total investments	599,034	102,010	-	701,044
Beneficial interest in perpetual trust	-	235,147	-	235,147
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	87,523	-	87,523
Total other assets at fair value	-	322,670	-	322,670
Assets at fair value	\$ 599,034	\$ 424,680	\$ -	\$ 1,023,714

SCAN, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

	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)

6. Notes Receivable and Deferred Grant Revenue

Notes receivable consist of the following:

	September 30	
	2016	2015
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	691,602
Note receivable from Fairfield Community Home, LP, non-interest bearing note due on July 1, 2044.	308,398	308,398
	<u>\$ 1,800,055</u>	<u>\$ 1,800,055</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 at September 30, 2016 and 2015.

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, 2017. 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, 2016), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at September 30, 2016 and 2015.

8. Lease

SCAN leases copiers and other equipment pursuant to noncancelable capital lease arrangements that expire through 2021.

SCAN, Inc.

Notes to Financial Statements (continued)

8. Lease (continued)

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

	September 30	
	2016	2015
Furnishings	\$ 277,647	\$ 70,366
Less allowance for amortization	11,300	17,592
	\$ 266,347	\$ 52,774

SCAN recorded amortization expense of \$11,300 for the year ended September 30, 2016. Such amortization is included in depreciation expense for financial reporting purposes.

Future minimum lease payments as of September 30, 2016 pursuant to capital leases that have initial or remaining noncancelable terms in excess of one year are as follows:

2017	\$ 71,708
2018	71,708
2019	68,514
2020	61,432
2021	46,420
Total minimum lease payments	319,782
Less amounts representing interest	34,526
Capital lease obligations	285,256
Less current portion	71,708
	\$ 213,548

Unrestricted net assets are as follows:

	September 30	
	2016	2015
Board designated endowment funds	\$ 85,988	\$ 85,988
General operating funds	4,588,995	4,502,932
	\$ 4,674,983	\$ 4,588,920

SCAN, Inc.

Notes to Financial Statements (continued)

9. Net Assets

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 \$13,762 and \$1,005,427 for the years ended September 30, 2016 and 2015, respectively.

Permanently restricted net assets consist of the following:

	September 30	
	2016	2015
Beneficial interest in perpetual trust	\$ 235,147	\$ 233,333
Other	5,000	5,000
	<u>\$ 240,147</u>	<u>\$ 238,333</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 \$78,115 and \$57,318 for the years ended September 30, 2016 and 2015, respectively.

11. Related Party Transactions

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

12. Subsequent Events

Management has evaluated subsequent events through December 29, 2016, the date on which the financial statements were available to be issued.