



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B49515

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 5, 2018

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

We have reviewed the report prepared by Family Service Association of Howard County, Inc. and opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Family Service Association of Howard County, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



FAMILY SERVICE ASSOCIATION
of Howard County, Inc.

AND
FSA ASSET MANAGEMENT, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2016 and 2015

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

CONTENTS

	Page
CONSOLIDATED FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-13
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information	14
Consolidating Schedule - Statement of Financial Position Information	15
Consolidating Schedule - Statement of Activities Information	16
Schedule of Grant and Contract Activity for Federal, State, and Local Government Awards	17-18

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. (not-for-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of December 31, 2016 and 2015, and the 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 23, 2017

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015**

ASSETS

	2016	2015
ASSETS		
Cash	\$ 45,563	\$ 161,003
Accounts receivable - clients	2,596	2,715
Grants receivable	491,803	262,667
Prepaid expenses and other assets	<u>14,048</u>	<u>24,818</u>
	<u>554,010</u>	<u>451,203</u>
Property and Equipment		
Land	73,400	73,400
Buildings and improvements	4,221,320	4,221,320
Furniture and equipment	464,896	460,864
Leasehold improvements	244,454	244,454
Vehicles	<u>21,389</u>	<u>21,389</u>
	5,025,459	5,021,427
Less: Accumulated depreciation	<u>990,326</u>	<u>837,260</u>
Total Property and Equipment	<u>4,035,133</u>	<u>4,184,167</u>
TOTAL ASSETS	<u>\$ 4,589,143</u>	<u>\$ 4,635,370</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 64,356	\$ 36,562
Accrued wages	34,544	30,418
Accrued vacation	31,719	46,056
Line of credit borrowings	79,756	100,000
Notes payable and capital leases	<u>323,435</u>	<u>348,054</u>
Total Liabilities	<u>533,810</u>	<u>561,090</u>
NET ASSETS		
Unrestricted:		
Undesignated	242,909	356,618
Building and equipment fund	<u>3,532,631</u>	<u>3,665,053</u>
Total Unrestricted Net Assets	3,775,540	4,021,671
Temporarily restricted	<u>279,793</u>	<u>52,609</u>
Total Net Assets	<u>4,055,333</u>	<u>4,074,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,589,143</u>	<u>\$ 4,635,370</u>

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015**

	Unrestricted	2016 Temporarily Restricted	Total
SUPPORT AND REVENUES			
Public Support:			
United Way	\$ 238,178	\$ 249,750	\$ 487,928
Contributions	<u>22,557</u>	<u>29,805</u>	<u>52,362</u>
Total Public Support	<u>260,735</u>	<u>279,555</u>	<u>540,290</u>
Other support:			
Government support	658,954		658,954
Other grants and awards	<u>81,864</u>		<u>81,864</u>
Total Other Support	<u>740,818</u>		<u>740,818</u>
Revenues:			
Government program revenues	1,071,890		1,071,890
Program service fees	117,739		117,739
Miscellaneous	1,242		1,242
Rental income	48,751		48,751
Special events	<u>44,123</u>		<u>44,123</u>
Total Revenues	<u>1,283,745</u>		<u>1,283,745</u>
Net Assets Released from Restrictions	<u>52,371</u>	<u>(52,371)</u>	
Total Support and Revenues	<u>2,337,669</u>	<u>227,184</u>	<u>2,564,853</u>
EXPENSES			
Program services	2,150,903		2,150,903
Management and general	396,181		396,181
Fundraising	<u>36,716</u>		<u>36,716</u>
Total Expenses	<u>2,583,800</u>		<u>2,583,800</u>
INCREASE (DECREASE) IN NET ASSETS	(246,131)	227,184	(18,947)
NET ASSETS			
Beginning of Year	<u>4,021,671</u>	<u>52,609</u>	<u>4,074,280</u>
End of Year	<u>\$ 3,775,540</u>	<u>\$ 279,793</u>	<u>\$ 4,055,333</u>

See accompanying notes.

Unrestricted	2015 Temporarily Restricted	Total
\$ 299,445		\$ 299,445
28,613	\$ 45,261	73,874
<u>328,058</u>	<u>45,261</u>	<u>373,319</u>
562,163		562,163
65,444		65,444
<u>627,607</u>		<u>627,607</u>
1,028,999		1,028,999
106,570		106,570
3,555		3,555
40,236		40,236
30,561		30,561
<u>1,209,921</u>		<u>1,209,921</u>
88,402	(88,402)	
<u>2,253,988</u>	<u>(43,141)</u>	<u>2,210,847</u>
2,059,786		2,059,786
365,186		365,186
56,088		56,088
<u>2,481,060</u>		<u>2,481,060</u>
(227,072)	(43,141)	(270,213)
<u>4,248,743</u>	<u>95,750</u>	<u>4,344,493</u>
<u>\$ 4,021,671</u>	<u>\$ 52,609</u>	<u>\$ 4,074,280</u>

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

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015**

	2016					
	Advocacy/ Prevention/ Education	Chores	Child Protective Services	Individual Counseling	Community Partners	Domestic Violence
Salaries	\$ 59,868	\$ 75,838	\$ 133,448	\$ 1,868	\$ 84,608	\$ 434,987
Payroll taxes	6,158	8,077	14,085	578	8,619	48,782
Employee benefits	5,671	6,533	13,738	15	13,824	49,285
Total	<u>71,697</u>	<u>90,448</u>	<u>161,271</u>	<u>2,461</u>	<u>107,051</u>	<u>533,054</u>
Administrative fees	230	21	296		220	264
Advertising and printing	2,035	38	682		29	431
Conference and training	4,004	547	116	11	857	2,931
Direct assistance expense	24,969	3	56		1,250	78,417
Insurance	99	67	147	30	57	2,671
Interest expense						51
Miscellaneous	735	4,641	13	2	2	163
Occupancy	1,110	699	1,853	358	675	34,016
Payments to affiliates	100	285				750
Professional fees	3,603	497	368	238	138	7,379
Repairs and maintenance	551	392	596	104	167	10,969
Supplies	6,684	239	445		82	868
Telephone	1,775	1,676	2,867	97	2,923	11,602
Travel	1,673	9,866	6,680		2,485	2,250
Depreciation						19,614
Property management fees						
TOTAL EXPENSES	<u><u>\$ 119,265</u></u>	<u><u>\$ 109,419</u></u>	<u><u>\$ 175,390</u></u>	<u><u>\$ 3,301</u></u>	<u><u>\$ 115,936</u></u>	<u><u>\$ 705,430</u></u>
	2015					
Salaries	\$ 40,170	\$ 77,143	\$ 119,184	\$ 8,653	\$ 81,790	\$ 426,551
Payroll taxes	3,837	6,753	11,508	850	7,456	40,180
Employee benefits	3,004	5,427	15,897	64	18,998	28,300
Total	<u>47,011</u>	<u>89,323</u>	<u>146,589</u>	<u>9,567</u>	<u>108,244</u>	<u>495,031</u>
Administrative fees	85	77	290		144	223
Advertising and printing	350	113	603	89	178	451
Conference and training	1,689	834	1,528	6	782	8,138
Direct assistance expense	10,582	302	58		5,219	83,918
Insurance	106	53	75	31	50	2,226
Interest expense						32
Miscellaneous	1,195	217	33		15	291
Occupancy	1,982	941	1,728	580	959	36,296
Payments to affiliates	150	250				500
Professional fees	1,571	161	328	303	70	6,481
Repairs and maintenance	1,392	501	423	130	146	13,063
Supplies	6,577	403	481	2	85	1,247
Telephone	957	861	3,619	9	2,436	7,277
Travel	970	8,951	5,634	9	3,915	2,708
Depreciation						19,939
Property management fees						
TOTAL EXPENSES	<u><u>\$ 74,617</u></u>	<u><u>\$ 102,987</u></u>	<u><u>\$ 161,389</u></u>	<u><u>\$ 10,726</u></u>	<u><u>\$ 122,243</u></u>	<u><u>\$ 677,821</u></u>

See accompanying notes.

2016

Family Life Education	Healthy Families	Jackson Street Commons	Total Program Services	Management and General	Fund Raising	Total
\$ 122,267	\$ 313,413	\$ 75,951	\$1,302,248	\$ 184,878	\$ 19,654	\$1,506,780
11,922	34,676	9,211	142,108	22,527	2,679	167,314
8,492	54,346	8,265	160,169	26,585	2,557	189,311
<u>142,681</u>	<u>402,435</u>	<u>93,427</u>	<u>1,604,525</u>	<u>233,990</u>	<u>24,890</u>	<u>1,863,405</u>
7	717	59	1,814	21,794	221	23,829
7,189	728	217	11,349	2,555	3,156	17,060
5,893	4,607	475	19,441	3,031	2,839	25,311
	768	465	105,928			105,928
187	523	3,226	7,007	6,295	25	13,327
	52	20	123	23,015		23,138
233	316	223	6,328	3,117	135	9,580
3,329	6,470	22,757	71,267	18,482	567	90,316
	2,900		4,035	4,215		8,250
	523	3,875	16,917	28,575	833	46,325
1,009	3,095	26,648	43,531	6,157	429	50,117
6,615	3,056	4,240	22,229	5,769	2,795	30,793
2,720	11,880	8,387	43,927	5,364	403	49,694
2,355	15,207	1,038	41,554	573	423	42,550
143	1,148	105,457	126,362	33,249		159,611
		24,566	24,566			24,566
<u>\$ 172,657</u>	<u>\$ 454,425</u>	<u>\$ 295,080</u>	<u>\$2,150,903</u>	<u>\$ 396,181</u>	<u>\$ 36,716</u>	<u>\$2,583,800</u>

2015

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	2016	2015
OPERATING ACTIVITIES		
Cash received from contributions, grants, programs and miscellaneous	\$ 2,335,745	\$ 2,162,389
Interest received	91	135
Interest paid	(23,138)	(19,963)
Loss on disposal of property	1,413	
Cash paid to employees	(1,873,616)	(1,728,746)
Cash paid to suppliers	(499,082)	(529,954)
Net Cash Used by Operating Activities	<u>(58,587)</u>	<u>(116,139)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(3,129)</u>	<u>(8,765)</u>
Net Cash Used by Investing Activities	<u>(3,129)</u>	<u>(8,765)</u>
FINANCING ACTIVITIES		
Proceeds (payments) on line of credit, net	(20,244)	100,000
Payments on notes payable and capital leases	<u>(33,480)</u>	<u>(32,027)</u>
Net Cash Provided (Used) by Financing Activities	<u>(53,724)</u>	<u>67,973</u>
NET DECREASE IN CASH	(115,440)	(56,931)
CASH		
Beginning of Year	<u>161,003</u>	<u>217,934</u>
End of Year	<u>\$ 45,563</u>	<u>\$ 161,003</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Decrease in net assets	\$ (18,947)	\$ (270,213)
Loss on sale of property and equipment	1,413	
Depreciation	159,611	163,463
(Increase) decrease in certain assets:		
Accounts and grants receivable	(229,017)	(48,323)
Prepaid expenses and other assets	10,770	(1,017)
Increase (decrease) in certain liabilities:		
Accounts payable	27,794	21,218
Accrued expenses	<u>(10,211)</u>	<u>18,733</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (58,587)</u>	<u>\$ (116,139)</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Property and equipment acquired with capital leases	\$ 8,861	

See accompanying notes.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Association's program services include the following:

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

Chores provides individual specialized care to the elderly and disabled, performing tasks including laundry, food preparation, cleaning, bill payment and running errands. This is a fee-based program that is dependent on the client's income and ability to pay. The Chores program terminated as of February 28, 2017.

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

Individual Counseling provides opportunity for self-pay individuals to meet with licensed counselors to help the individuals with handling difficult personal issues.

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

Domestic Violence Program includes the activities described below:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Family Life Education includes the activities described below:

Minority Health Coalition: The Minority Health Alliance of Howard County (MHAHC) is committed to support programs and services that will reduce racial/ethnic health disparities in Howard County and improve health outcomes within those groups. There are many health issues that affect the minority community including obesity, chronic disease, oral hygiene, vision and mental illness. The Minority Health Coalition program terminated as of June 30, 2017.

Howard County Tobacco Coalition: The purpose of the Howard County Tobacco Coalition is to assure accountability for the provision of services to Howard County for advocacy, environmental awareness of second hand smoke, smoking cessation, and education and prevention. It also includes cessation in all areas of youth, adults, senior citizens, pregnant women and minorities. The Howard County Tobacco Coalition program terminated as of June 30, 2017.

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainty: As shown in the accompanying financial statements, FSA incurred decreases in net assets of \$18,947 and \$270,213 for the years ended December 31, 2016 and 2015, respectively. These factors create uncertainty about FSA's ability to continue as a going concern. Management of FSA has evaluated these conditions and determined FSA's ability to obtain additional funding through grants, contributions, and program service revenue, as well as reducing certain program expenses alleviates this uncertainty. Management has implemented a fundraising plan, increased capacity of profitable programs, eliminated certain loss programs, and cut costs in other areas where possible. Accordingly, management believes their plans are able to mitigate the adverse effects and conditions that may create uncertainty about FSA's ability to continue as a going concern.

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

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

Grants Receivable primarily represent balances due under government grants and contracts for which services have been performed or allowable expenditures have been incurred, but payment has not yet been received. Payments of grants receivable are allocated to the specific claims identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid claims. Management periodically reviews grants receivable for collectability. Uncollectable accounts are written off as deemed necessary. At December 31, 2016 and 2015, management determined no allowance for doubtful accounts was necessary.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Expenses directly identifiable with a specific program or supporting service are allocated directly according to their natural classification. Expenses related to more than one function are allocated among program and support services based on estimates of time or space utilized by each program or function, or other estimates made by FSA's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of FSA.

Advertising Costs are expensed as incurred. Advertising expenses were \$13,270 in 2016 and \$10,057 in 2015.

Income Taxes: The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Asset Management is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015.

The Association and Asset Management file U.S. federal and state of Indiana information returns. The organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

Subsequent Events: FSA has evaluated the consolidated financial statements for subsequent events occurring through August 23, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 - ASSETS HELD AT COMMUNITY FOUNDATION

The Association has been named a beneficiary of a fund administered by a community foundation. However, the fund is not included in the Association's consolidated statements of financial position because the community foundation has variance power over the fund. At December 31, 2016 and 2015, the fund approximated \$5,000.

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

FSA has a joint \$100,000 line of credit from a bank available through September 2017. Interest is computed at the Bank's prime lending rate plus 1% with a minimum of 5% (5.0% at December 31, 2016). Outstanding borrowings on the line of credit were \$79,756 and \$100,000 as of December 31, 2016 and 2015, respectively. The line of credit is secured by certain real property of FSA.

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

Notes payable and capital leases consisted of the following at December 31, 2016 and 2015:

	2016	2015
Mortgage note payable in monthly installments of \$1,856, including interest fixed every 5 years and computed at the weekly average yield on United States Treasury securities adjusted to a constant maturity of 5 years, plus 4% (4.88% with next scheduled adjustment in March 2017), through maturity in August 2029. Secured by property.	\$139,383	\$154,345
Mortgage note payable in monthly installments of \$1,094, including interest fixed every 5 years and computed at the weekly average yield on United States Treasury securities adjusted to a constant maturity of 5 years, plus 3.5% with a 6% floor (6% with next scheduled adjustment in August 2019), through maturity in May 2024. Secured by property.	115,380	121,260
Note payable in monthly installments of \$871, including interest currently fixed at 5.50%, subject to change in August 2019, through maturity in January 2023.	53,669	60,886
Capital leases for copiers utilized at various program locations with monthly installments through May 2021, ranging from \$99 to \$153, including interest imputed at rates ranging from 1.35% to 5.00%. Secured by the associated equipment recorded at a cost of \$22,308 and accumulated amortization of \$5,900 at December 31, 2016.	<u>15,003</u>	<u>11,563</u>
Total Notes Payable and Capital Leases	<u>\$323,435</u>	<u>\$348,054</u>

At December 31, 2016, the aggregate maturities of notes payable and capital leases were as follows:

Payable in	Capital Lease Payments	Debt Maturities
2017	\$ 5,089	\$ 30,051
2018	4,491	31,549
2019	3,963	33,256
2020	1,836	35,055
2021	765	37,453
Thereafter		141,068
Total Capital Lease Payments	<u>16,144</u>	
Less: Amount representing interest	<u>(1,141)</u>	
Net Capital Lease Obligation	<u>\$15,003</u>	

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods at December 31, 2016 and 2015:

	2016	2015
Jackson Street Commons		\$ 1,685
Administrative	\$ 6,645	16
Prevent Child Abuse	8,873	12,928
Domestic Violence Program	188,571	30,065
Substance Abuse Treatment and Prevention	5,000	5,000
Family Life Education	537	2,915
Healthy Families	<u>70,167</u>	<u> </u>
Total Temporarily Restricted Net Assets	<u>\$279,793</u>	<u>\$52,609</u>

For the years ended December 31, 2016 and 2015, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	2016	2015
Jackson Street Commons	\$ 1,685	\$29,180
Administrative	3,578	161
Prevent Child Abuse	21,860	13,525
Domestic Violence Program	22,870	19,510
Family Life Education	2,378	24,469
Healthy Families		772
Car Seat Safety	<u> </u>	<u>785</u>
Total Net Assets Released from Restrictions	<u>\$52,371</u>	<u>\$88,402</u>

NOTE 5 - OPERATING LEASES

The Association has operating leases for various residential properties for program purposes, expiring at various dates through October 2017. These leases generally contain renewal options. Lease expense was \$70,739 in 2016 and \$66,527 in 2015. At December 31, 2016, the future minimum lease payments required by these long-term noncancellable operating leases are \$61,160 payable in 2017.

NOTE 6 - RETIREMENT PLANS

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

NOTE 7 - CONCENTRATIONS

During the years ended December 31, 2016 and 2015, approximately 73% and 71%, respectively, of FSA's support and revenues were derived from federal grants and contracts. Further, FSA received 44% and 43% of its total support and revenue from two Federal Agencies during the years ended December 31, 2016 and 2015, respectively.

NOTE 8 - JACKSON STREET COMMONS

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

NOTE 8 - JACKSON STREET COMMONS (CONTINUED)

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

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

SUPPLEMENTARY INFORMATION

*Independent Auditors' Report
on Supplementary Information*

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

We have audited the consolidated financial statements of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of and for the years ended December 31, 2016 and 2015, and our report thereon dated August 23, 2017, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of statement of financial position information and statement of activities information and schedule of grant and contract activity for federal, state, and local government awards are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of grant and contract activity for federal, state, and local government awards is required by the Indiana State Board of Accounts. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 23, 2017

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

**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2016**

	Association	Asset Management	Consolidated
ASSETS			
Cash	\$ 30,825	\$ 14,738	\$ 45,563
Accounts receivable - clients	2,596		2,596
Grants receivable	491,803		491,803
Prepaid expenses and other assets	14,048		14,048
	<u>539,272</u>	<u>14,738</u>	<u>554,010</u>
 Property and Equipment			
Land		73,400	73,400
Buildings and improvements	3,556,836	664,484	4,221,320
Furniture and equipment	464,896		464,896
Leasehold improvements	244,454		244,454
Vehicles	21,389		21,389
	<u>4,287,575</u>	<u>737,884</u>	<u>5,025,459</u>
Less: Accumulated depreciation	754,944	235,382	990,326
Total Property and Equipment	<u>3,532,631</u>	<u>502,502</u>	<u>4,035,133</u>
 TOTAL ASSETS	 <u>\$ 4,071,903</u>	 <u>\$ 517,240</u>	 <u>\$ 4,589,143</u>
 LIABILITIES			
Accounts payable	\$ 56,572	\$ 7,784	\$ 64,356
Accrued wages	34,544		34,544
Accrued vacation	31,719		31,719
Line of credit borrowings	79,756		79,756
Notes payable and capital leases	68,672	254,763	323,435
Total Liabilities	<u>271,263</u>	<u>262,547</u>	<u>533,810</u>
 NET ASSETS			
Unrestricted:			
Undesignated	(11,784)	254,693	242,909
Building and equipment fund	3,532,631		3,532,631
Total Unrestricted Net Assets	<u>3,520,847</u>	<u>254,693</u>	<u>3,775,540</u>
Temporarily restricted	279,793		279,793
Total Net Assets	<u>3,800,640</u>	<u>254,693</u>	<u>4,055,333</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,071,903</u>	 <u>\$ 517,240</u>	 <u>\$ 4,589,143</u>

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

**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2016**

	Association		Total
	Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUES			
Public Support:			
United Way	\$ 238,178	\$ 249,750	\$ 487,928
Contributions	46,967	29,805	76,772
Total Public Support	<u>285,145</u>	<u>279,555</u>	<u>564,700</u>
Other support:			
Government support	658,954		658,954
Other grants and awards	81,864		81,864
Total Other Support	<u>740,818</u>		<u>740,818</u>
Revenues:			
Government program revenues	1,071,890		1,071,890
Program service fees	117,739		117,739
Miscellaneous	1,231		1,231
Rental income	48,751		48,751
Special events	44,123		44,123
Total Revenues	<u>1,283,734</u>		<u>1,283,734</u>
Net Assets Released from Restrictions	52,371	(52,371)	
Total Support and Revenues	<u>2,362,068</u>	<u>227,184</u>	<u>2,589,252</u>
EXPENSES			
Program services	2,218,903		2,218,903
Management and general	360,978		360,978
Fundraising	36,716		36,716
Total Expenses	<u>2,616,597</u>		<u>2,616,597</u>
INCREASE (DECREASE) IN NET ASSETS	(254,529)	227,184	(27,345)
NET ASSETS			
Beginning of Year	<u>3,775,376</u>	<u>52,609</u>	<u>3,827,985</u>
End of Year	<u>\$ 3,520,847</u>	<u>\$ 279,793</u>	<u>\$ 3,800,640</u>

See accompanying notes.

Asset Management		
Unrestricted	Eliminations	Consolidated
		\$ 487,928
	\$ (24,410)	52,362
	<u>(24,410)</u>	<u>540,290</u>
		658,954
		<u>81,864</u>
		<u>740,818</u>
		1,071,890
		117,739
\$ 11		1,242
68,000	(68,000)	48,751
		<u>44,123</u>
<u>68,011</u>	<u>(68,000)</u>	<u>1,283,745</u>
<u>68,011</u>	<u>(92,410)</u>	<u>2,564,853</u>
	(68,000)	2,150,903
59,613	(24,410)	396,181
		<u>36,716</u>
<u>59,613</u>	<u>(92,410)</u>	<u>2,583,800</u>
8,398		(18,947)
<u>246,295</u>		<u>4,074,280</u>
<u>\$ 254,693</u>	<u>\$ -</u>	<u>\$ 4,055,333</u>

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

**SCHEDULE OF GRANT AND CONTRACT ACTIVITY FOR FEDERAL, STATE,
AND LOCAL GOVERNMENT AWARDS
Year Ended December 31, 2016**

	Type of Funding	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
FEDERAL GRANTS				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from Indiana Criminal Justice Institute:				
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Federal Grant	93.758	D3-16-10713	\$ 10,000
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Federal Grant	93.671	D3-17-11253	44,135
Service, Training, Officers & Prosecutors	Federal Grant	16.588	D3-16-10462	7,557
Social Services Block Grant	Federal Grant	93.667	D3-16-10736	15,278
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through from Indiana Housing and Community Development Authority:				
Housing Rental Assistance	Federal Grant	14.267	SC-016-0159	141,886
Emergency Solutions Grant Program	Federal Grant	14.231	ES-016-020	33,553
Passed through from the City of Kokomo:				
Community Development Block Grant	Federal Grant	14.218	B-16-MC-18-0014	24,383
U.S. DEPARTMENT OF JUSTICE				
Passed through from Indiana Criminal Justice Institute:				
Sexual Assault Services Formula Program	Federal Grant	16.017	D3-17-11273	35,365
Crime Victim Assistance	Federal Grant	16.575	D3-16-10573	54,256
TOTAL EXPENDITURES OF FEDERAL GRANTS				<u>366,413</u>
FEDERAL CONTRACTS				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from Indiana Department of Child Services:				
Sub-contract for DCS services	Fee for Service	multiple	A93-6-16-CB-P0-3015	180,398
Healthy Families of Indiana	Fee for Service	16.540	A93-3-13-HF-M0-1120	477,637
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Transitional Living	Fee for Service	14.235	N/A	<u>111,262</u>
TOTAL EXPENDITURES OF FEDERAL CONTRACTS				<u>769,297</u>

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

**SCHEDULE OF GRANT AND CONTRACT ACTIVITY FOR FEDERAL, STATE,
AND LOCAL GOVERNMENT AWARDS (CONTINUED)
Year Ended December 31, 2016**

	Type of Funding	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
NONFEDERAL AWARDS				
Indiana Department of Child Services Passed through from SCAN, Inc.:				
Gear Up for Safety	State and Local	N/A	N/A	\$ 57,489
Prevent Child Abuse	State and Local	N/A	N/A	33,794
Community Partners for Child Safety	State and Local	N/A	N/A	133,238
Howard County				
Mayor's Task Force on Substance Abuse Prevention	State and Local	N/A	N/A	23,062
Indiana Criminal Justice Institute				
Car Seat Safety	State and Local	N/A	N/A	6,901
Domestic Violence Prevention and Treatment	State and Local	N/A	N/A	139,388
Indiana Department of Health				
Tobacco Prevention and Cessation Commission	State and Local	N/A	N/A	55,326
Center Township Trustees				
Township Assistance	State and Local	N/A	N/A	75,000
Indiana Family and Social Service Administration				
Chores	State and Local	N/A	N/A	32,434
Kokomo Police Department				
Kokomo Police Department - Crime Victim Assistance	State and Local	N/A	N/A	<u>38,219</u>
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				<u>594,851</u>
TOTAL EXPENDITURES OF FEDERAL, STATE, AND GOVERNMENT AWARDS AND CONTRACTS				<u><u>\$ 1,730,561</u></u>