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March 29, 2018

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

We have reviewed the report prepared by Covering Kids & Families of Indiana, Inc. and opined upon by Alerding CPA Group, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Covering Kids & Families of Indiana, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

  
Paul D. Joyce, CPA  
State Examiner



FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015



# COVERING KIDS & FAMILIES OF INDIANA, INC.

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DECEMBER 31, 2016 AND 2015

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Covering Kids & Families of Indiana, Inc., which comprise the statement of financial position as of December 31, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covering Kids & Families of Indiana, Inc. as of December 31, 2016 and 2015 and its changes in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Blending CPA Group*

April 3, 2017

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

### ASSETS

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash	\$ 179,292	\$ 85,062
Cash held in escrow	500	554
Accounts receivable	572,832	503,320
Prepaid expenses	<u>29,006</u>	<u>10,085</u>
Website	33,263	-0-
Accumulated depreciation	<u>(1,704)</u>	<u>-0-</u>
Website, net	<u>31,559</u>	<u>-0-</u>
Total assets	<u>\$ 813,189</u>	<u>\$ 599,021</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable	\$ 335,021	\$ 212,750
Accrued expenses	<u>42,155</u>	<u>57,704</u>
Total liabilities	377,176	270,454
<b>Unrestricted Net Assets</b>	<u>436,013</u>	<u>328,567</u>
Total liabilities and net assets	<u>\$ 813,189</u>	<u>\$ 599,021</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Revenue and Support:</b>		
Grants and contracts	\$ 2,628,552	\$ 2,267,305
Contributions	15,185	7,500
Conferences and meetings	96,625	69,987
Other program services revenues	40	160
Interest income	492	488
Total revenue and support	<u>2,740,894</u>	<u>2,345,440</u>
<b>Expenses:</b>		
Programs	2,427,296	2,090,903
Management and general	197,328	214,103
Fundraising	8,824	1,540
Total expenses	<u>2,633,448</u>	<u>2,306,546</u>
Change in net assets	107,446	37,894
<b>Unrestricted Net Assets, Beginning of Year</b>	<u>328,567</u>	<u>290,673</u>
<b>Unrestricted Net Assets, End of Year</b>	<u>\$ 436,013</u>	<u>\$ 328,567</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 450,187	\$ 119,136	\$ 1,437	\$ 570,760	\$ 621,597
Payroll taxes and benefits	100,269	26,535	320	127,124	128,329
Total salaries, taxes and benefits	<u>550,456</u>	<u>145,671</u>	<u>1,757</u>	<u>697,884</u>	<u>749,926</u>
Subgrants	1,435,371	-0-	-0-	1,435,371	1,134,322
Health programs outreach and marketing	207,502	-0-	-0-	207,502	204,161
Contract services	-0-	-0-	-0-	-0-	16,213
Office expenses	36,251	9,090	-0-	45,341	35,631
Occupancy	17,583	4,674	-0-	22,257	21,971
Telephone and internet	12,631	3,357	-0-	15,988	22,113
Travel	25,495	6,777	-0-	32,272	39,017
Meetings	52,813	4,575	-0-	57,388	32,741
Professional fees	65,939	17,528	-0-	83,467	41,111
Insurance	3,566	948	-0-	4,514	2,813
Advocacy	-0-	-0-	-0-	-0-	2,549
Strategic plan	16,985	4,515	-0-	21,500	-0-
Depreciation expense	1,704	-0-	-0-	1,704	-0-
Other	1,000	193	7,067	8,260	3,978
Total expenses	<u>\$ 2,427,296</u>	<u>\$ 197,328</u>	<u>\$ 8,824</u>	<u>\$ 2,633,448</u>	<u>\$ 2,306,546</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015 Total</u>
Salaries	\$ 497,369	\$ 123,261	\$ 967	\$ 621,597
Payroll taxes and benefits	<u>102,682</u>	<u>25,447</u>	<u>200</u>	<u>128,329</u>
Total salaries, taxes and benefits	600,051	148,708	1,167	749,926
Subgrants	1,134,322	-0-	-0-	1,134,322
Health programs outreach and marketing	204,161	-0-	-0-	204,161
Contract services	16,213	-0-	-0-	16,213
Office expenses	30,149	5,482		35,631
Occupancy	17,577	4,394	-0-	21,971
Telephone and internet	17,750	4,363	-0-	22,113
Travel	38,627	390	-0-	39,017
Meetings	27,816	4,925	-0-	32,741
Professional fees	-0-	41,111	-0-	41,111
Insurance	1,688	1,125	-0-	2,813
Advocacy	2,549	-0-	-0-	2,549
Other	<u>-0-</u>	<u>3,605</u>	<u>373</u>	<u>3,978</u>
Total expenses	<u>\$ 2,090,903</u>	<u>\$ 214,103</u>	<u>\$ 1,540</u>	<u>\$ 2,306,546</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 107,446	\$ 37,894
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,704	-0-
Changes in operating assets and liabilities:		
Cash held in escrow	54	5,254
Accounts receivable	(69,512)	(62,556)
Prepaid expenses	(18,921)	14,679
Accounts payable	122,271	(19,342)
Accrued expenses	(15,549)	17,002
Deferred revenue	<u>-0-</u>	<u>(6,600)</u>
Net cash provided by (used in) operating activities	<u>127,493</u>	<u>(13,669)</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	<u>(33,263)</u>	<u>-0-</u>
Net cash used in investing activities	<u>(33,263)</u>	<u>-0-</u>
Net increase (decrease) in cash	94,230	(13,669)
<b>Cash, Beginning of Year</b>	<u>85,062</u>	<u>98,731</u>
<b>Cash, End of Year</b>	<u>\$ 179,292</u>	<u>\$ 85,062</u>
<b>Supplemental Disclosure of Cash Flows Information:</b>		
Cash paid for interest	<u>\$ 1,258</u>	<u>\$ -0-</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Entity

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

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

#### Basis of Presentation

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

##### *Unrestricted Net Assets*

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

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets include contributions that have donor imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets through the release of restrictions in the Statement of Activities and Changes in Net Assets. There were no temporarily restricted net assets at December 31, 2016 and 2015.

#### Estimates

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

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

### Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts, if considered necessary. There was no allowance for doubtful accounts as of December 31, 2016 and 2015.

### Support and Revenue Recognition

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

The Organization records unconditional promises to give at the date the promise is received. The gifts are reported as unrestricted support or as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. There were no temporarily restricted contributions received during 2016 and 2015.

### Functional Expenses

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

### Donated Materials and Services

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

### Website and Depreciation

The Organization's website is recorded at cost and is depreciated over its estimated useful life using the straight-line method of depreciation.

### Advertising

Advertising costs are expensed as incurred and relate to promoting the Organization's programs through its local coalitions. Advertising expense was \$60,899 and \$27,620 for the years December 31, 2016 and 2015, respectively.

### Income Taxes

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

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purposes of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2016, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2013.

### Subsequent Events

Subsequent events have been evaluated through April 3, 2017, which is the date the financial statements were available for issuance.

## 2. LINE OF CREDIT

The Organization has \$150,000 of available borrowings under a line of credit agreement with a bank which expires on February 28, 2019, at which time it is subject to renewal. Interest on outstanding borrowings is payable monthly at 5%, and borrowings are secured by substantially all assets of the Organization. There were no outstanding borrowings on the line of credit as of December 31, 2016 and 2015.

## 3. OPERATING LEASE

The Organization leases two office facilities and office equipment under the terms of operating leases requiring monthly payments aggregating \$2,063 as of December 31, 2016 and expiring at various dates through October 2021. The future minimum lease payments due under the terms of the operating lease are as follows:

<u>December 31,</u>	
2017	\$ 25,011
2018	13,775
2019	1,500
2020	1,500
2021	<u>1,250</u>
	<u>\$ 43,036</u>

Total lease expense was \$22,381 and \$20,615 for the years ended December 31, 2016 and 2015, respectively.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

### 4. EMPLOYEE BENEFITS PLANS

The Organization maintains a Simple Employee Pension (SEP) plan for all eligible employees. Full-time employees become eligible for the plan immediately upon being hired. The Organization makes contributions to the plan equal to 6% and 8% of employee wages for the years ended December 31, 2016 and 2015, respectively. The Organization's contributions totaled \$34,135 and \$50,582 for the years ended December 31, 2016 and 2015, respectively.

The Organization also maintains certain health insurance benefits which require funds to be held in escrow in order to secure the payment of future claims. Cash held in escrow was \$500 and \$554 at December 31, 2016 and 2015, respectively.

### 5. COMMITMENTS AND CONTINGENCIES

The Organization has entered into a contractual agreement with a hotel to hold a banquet room for the Organization's annual conference in June 2017. Under the agreement, should the Organization forfeit its reservation of the banquet room prior to the annual conference, the Organization would owe cancellation fees of \$30,000 to the hotel.

### 6. CONCENTRATION OF CREDIT RISK

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

As of December 31, 2016 and for the year then ended, one (1) grantor represented 99% of accounts receivable and 96% of grant and contract revenues.

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