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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 2, 2018

Board of Directors
Community and Family Services, Inc.
521 South Wayne St., P.O. Box 1087
Portland, IN 47371

We have reviewed the report prepared by Community and Family Services, Inc. and opined upon by Comer, Nowling and Associates, PC, 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 Community and Family Services, 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, Comer, Nowling and Associates, PC 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
Paul D. Joyce, CPA
State Examiner

**Community and Family
Services, Inc.**



**Financial Statements
For The Year Ended
December 31, 2016 and 2015
(With Single Audit Section)**

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Certified Public Accountants

**COMMUNITY AND FAMILY SERVICES, INC.
FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community and Family Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community and Family Services, Inc. (a nonprofit organization), which comprise of the statements 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 audits 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 Community and Family Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements of Community and Family Services, Inc. as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of Community and Family Services, Inc.'s internal control over financial reporting and 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 or on 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* and should be read in conjunction with this report in considering the results of our audit.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
May 31, 2017

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash	\$ 198,620	\$ 188,920
Grants receivable	242,540	279,513
Accounts receivable	75	2,600
Prepaid expenses	10,777	7,680
Inventory	17,712	13,229
Real property held for sale	230,678	148,106
Total current assets	700,402	640,048
FIXED ASSETS (Net of accumulated depreciation)	1,161,136	763,626
Total assets	\$ 1,861,538	\$ 1,403,674

LIABILITIES AND UNRESTRICTED NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	129,354	144,139
Accrued salaries and taxes	98,740	74,872
Accrued vacation	86,228	74,770
Other accrued expenses	559	9,357
Line of credit	200,112	-
Current portion of long-term debt	75,115	32,103
Total current liabilities	590,108	335,241
LONG-TERM DEBT:		
Notes Payable less current portion	674,960	337,732
UNRESTRICTED NET ASSETS	596,470	730,701
Total liabilities and unrestricted net assets	\$ 1,861,538	\$ 1,403,674

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
REVENUE AND OTHER SUPPORT		
Federal contract revenue	\$ 6,646,843	\$ 6,365,771
Other grant revenue	60,946	123,664
Contributions	488,059	264,808
Interest income	54	64
Project income	338,571	254,523
Rental income	75,845	-
Miscellaneous income	4,779	1,094
In-kind revenue	397,704	382,198
	8,012,801	7,392,122
EXPENSES		
Head Start	2,426,375	2,414,182
Energy Assistance	1,929,585	1,550,924
Women, Infants and Children	573,144	518,123
Weatherization	570,142	670,429
Section 8 Housing	741,737	687,055
Community Services Block Grant	476,661	329,769
Other Programs	760,253	552,587
Management and general	669,135	620,376
	8,147,032	7,343,445
NET INCREASE IN UNRESTRICTED NET ASSETS	(134,231)	48,677
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	730,701	682,024
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 596,470	\$ 730,701

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

EXPENSES	<u>Head Start</u>	<u>Energy Assistance</u>	<u>Women, Infants and Children</u>	<u>Weatherization</u>
Salaries	\$ 1,216,404	\$ 140,344	\$ 389,444	\$ 207,175
Payroll taxes	92,262	10,569	30,101	16,086
Payroll benefits	262,732	26,618	80,309	43,355
Printing and postage	5,585	5,993	287	412
Advertising	-	-	-	-
Rent	50,806	-	15,898	-
Utilities	30,478	2,011	4,923	2,201
Communications	19,350	5,209	7,324	1,509
Dues and subscriptions	3,605	665	50	358
Transportation costs	4,068	1	2	8,676
Travel and training	44,133	1,858	10,995	5,767
Program expenses	192,785	1,727,422	3,148	11,768
Professional and legal fees	9,740	-	-	-
Contracted services	4,501	-	150	212,542
In-kind expense	376,238	-	-	-
Insurance	25,912	-	1,260	96
Supplies	18,650	3,519	21,127	40,772
Office expense	9,663	353	90	24
Taxes and fees	1,542	-	-	-
Equipment leases	8,085	1,584	-	-
Equipment purchase and maintenance	1,294	-	-	-
Building and grounds maintenance	29,388	1,114	2,780	548
Miscellaneous expenses	-	-	-	-
Depreciation expense	19,154	2,325	5,256	18,853
Total operating expenses	<u>\$ 2,426,375</u>	<u>\$ 1,929,585</u>	<u>\$ 573,144</u>	<u>\$ 570,142</u>

See accompanying notes to financial statements.

Section 8 Housing	Community Services Block Grant	Other Programs	Total Services	Management and General	2016 Totals
\$ 32,962	\$ 289,816	\$ 206,001	\$ 2,482,146	\$ 461,698	\$ 2,943,844
2,458	23,199	16,958	191,633	36,224	227,857
8,885	29,022	78,416	529,337	107,920	637,257
852	3,796	3,199	20,124	3,929	24,053
-	652	524	1,176	-	1,176
-	2,950	8,779	78,433	7,953	86,386
368	10,710	37,543	88,234	1,097	89,331
811	8,109	3,143	45,455	815	46,270
1,724	13,115	1,603	21,120	1,375	22,495
-	1,886	13,920	28,553	23	28,576
3,749	8,409	1,700	76,611	3,597	80,208
687,802	574	128,410	2,751,909	-	2,751,909
-	1,364	2,017	13,121	8,376	21,497
-	480	36,616	254,289	-	254,289
-	-	21,466	397,704	-	397,704
-	3,628	3,301	34,197	22,284	56,481
2,083	56,657	25,195	168,003	784	168,787
-	2,136	625	12,891	7,012	19,903
-	216	60,192	61,950	1,326	63,276
-	6,857	2,362	18,888	967	19,855
-	1,844	4,455	7,593	1,823	9,416
43	5,493	35,101	74,467	530	74,997
-	-	27,518	27,518	-	27,518
-	5,748	41,209	92,545	1,402	93,947
<u>\$ 741,737</u>	<u>\$ 476,661</u>	<u>\$ 760,253</u>	<u>\$ 7,477,897</u>	<u>\$ 669,135</u>	<u>\$ 8,147,032</u>

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

EXPENSES	<u>Head Start</u>	<u>Energy Assistance</u>	<u>Women, Infants and Children</u>	<u>Weatherization</u>
Salaries	\$ 1,229,821	\$ 120,351	\$ 355,552	\$ 199,976
Payroll taxes	89,892	8,803	26,179	13,944
Payroll benefits	229,140	23,103	69,029	33,475
Printing and postage	6,555	4,216	1,562	522
Advertising	-	-	-	-
Rent	50,577	-	14,757	-
Utilities	29,520	2,020	4,939	2,478
Communications	19,266	3,660	8,003	1,517
Dues and subscriptions	13,364	72	42	488
Transportation costs	5,597	1	14	8,579
Travel and training	47,867	5,312	5,278	4,504
Program expenses	204,708	1,369,664	1,710	28,898
Professional and legal fees	6,395	-	-	-
Contracted services	5,262	-	-	323,621
In-kind expense	382,198	-	-	-
Insurance	12,015	-	1,260	-
Supplies	22,038	8,408	22,495	32,245
Office expense	8,335	581	511	48
Taxes and fees	1,081	-	-	-
Equipment leases	4,404	1,545	-	-
Equipment purchase and maintenance	44	60	-	75
Building and grounds maintenance	23,401	717	1,385	756
Miscellaneous expenses	-	-	-	450
Depreciation expense	22,702	2,411	5,407	18,853
Total operating expenses	<u>\$ 2,414,182</u>	<u>\$ 1,550,924</u>	<u>\$ 518,123</u>	<u>\$ 670,429</u>

See accompanying notes to financial statements.

<u>Section 8 Housing</u>	<u>Community Services Block Grant</u>	<u>Other Programs</u>	<u>Total Services</u>	<u>Management and General</u>	<u>2015 Totals</u>
\$ 33,428	\$ 178,342	\$ 177,748	\$ 2,295,218	\$ 394,640	\$ 2,689,858
2,426	12,692	15,577	169,513	28,576	198,089
7,027	19,454	-	381,228	101,281	482,509
972	7,557	3,525	24,909	2,682	27,591
-	-	-	-	-	-
-	2,766	3,964	72,064	6,503	78,567
378	8,326	12,796	60,457	1,073	61,530
747	8,149	4,366	45,708	2,129	47,837
986	15,243	3,725	33,920	859	34,779
-	994	5,662	20,847	-	20,847
3,936	11,480	732	79,109	5,867	84,976
636,068	1,131	186,947	2,429,126	-	2,429,126
-	1,618	1,080	9,093	15,094	24,187
-	15,028	18,901	362,812	-	362,812
-	-	-	382,198	-	382,198
-	4,405	4,570	22,250	36,725	58,975
986	7,652	22,159	115,983	1,106	117,089
40	2,155	1,236	12,906	9,895	22,801
-	156	10,609	11,846	991	12,837
-	7,224	2,523	15,696	1,016	16,712
-	15,727	9,827	25,733	637	26,370
61	5,814	38,231	70,365	328	70,693
-	-	14,202	14,652	10,000	24,652
-	3,856	14,207	67,436	974	68,410
<u>\$ 687,055</u>	<u>\$ 329,769</u>	<u>\$ 552,587</u>	<u>\$ 6,723,069</u>	<u>\$ 620,376</u>	<u>\$ 7,343,445</u>

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (134,231)	\$ 48,677
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	93,949	68,410
Increase (decrease) in cash from changes in:		
Grants receivable	36,973	71,095
Accounts receivable	2,525	35,946
Prepaid expenses	(3,097)	(1,049)
Real property held for sale	(82,572)	(145,448)
Inventory	(4,483)	(3,208)
Accounts payable	(14,785)	33,086
Accrued salaries and taxes	23,868	7,074
Accrued vacation	11,458	(34,459)
Other accrued expenses	(8,798)	8,938
Deferred revenue	-	(54,781)
Net cash provided by (used in) operating activities	(79,193)	34,281
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	30,265	78,108
Net proceeds from line of credit	200,112	-
Payments on long-term debt	(65,025)	(28,910)
Net cash provided by (used in) financing activities	165,352	49,198
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(76,459)	(132,340)
Net cash provided by (used in) investing activities	(76,459)	(132,340)
NET INCREASE (DECREASE) IN CASH	9,700	(48,861)
CASH, BEGINNING OF YEAR	188,920	237,781
CASH, END OF YEAR	\$ 198,620	\$ 188,920
Supplemental Disclosures of Cash Flow Information:		
Property purchased with proceeds of notes payable	\$ 415,000	\$ -
Cash paid during the year for interest	\$ 11,283	\$ 12,428

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Community and Family Services, Inc. (the “Organization”), a Community Action Agency, was established on December 29, 1965, as an Indiana not-for-profit corporation to serve the residents of Northeastern Indiana. The Organization is governed by a volunteer board of directors composed of representatives of the low-income community, representatives of local organizations, and County Commissioners or their representatives from each county. Advisory and policy councils serve to guide the various programs administered by the Organization. The primary goal of Community and Family Services, Inc. is to combat physical, economic, and social causes of poverty and the deterioration of residential and commercial real estate, lessen the burdens of government and improve community economic conditions. The Organization develops and provides opportunities for employment and employment education to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered by the Organization provide opportunities for almost all age groups, particularly those who are low-income and meet program guidelines.

The services of the Organization are extended to the economically disadvantaged in the counties of Adams, Blackford, Huntington, Jay, Randolph and Wells through offices located in the various counties. The headquarters of the Organization is located in Portland, Indiana.

BASIS OF ACCOUNTING

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Those tax positions include the Organization maintaining their tax-exempt status and the taxability of any unrelated business income. With few exceptions, the Organization is generally no longer subject to examination by taxing authorities for years before December 31, 2013.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

For the years ended, December 31, 2016 and 2015, the Organization did not have temporarily restricted or permanently restricted net assets.

REVENUE RECOGNITION

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

The Organization reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. However, contributions received with donor-imposed restrictions in which the restrictions are satisfied in the same reporting received are reported as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities.

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

GRANTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The grants receivable represent amounts the agency has filed claims for the year end and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no allowance is considered necessary.

INVENTORIES

Inventories, which consist primarily of supplies to be used for programs, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY HELD FOR SALE

The Organization purchased two properties in 2015 to rehabilitate and sell. Rehabilitated property is carried at the original purchase price or fair market value at the date of donation, plus the cost of rehabilitation. The Organization will recognize loss when it is determined that the fair value of the property is less than the carrying value.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of five to twenty years. The following is a summary of the lives for each class of asset:

Buildings	20 Years
Building Components	20 Years
Building Improvements	20 Years
Vehicles and equipment	5-10 Years

For the years ended December 31, 2016 and 2015, depreciation expense totaled \$93,947 and \$68,410, respectively.

ACCOUNTING FOR IMPAIRMENT

Accounting for the Impairment or Disposal of Long-Lived Assets guidance, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

USE OF ESTIMATES

The preparation of 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 of assets and liabilities and disclosure 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.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Asset and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COST ALLOCATION

The Organization allocates costs to benefiting programs using various allocation methods, depending on the type of cost being allocated. Allocated costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

Personnel: Agency personnel with multiple program duties (Executive Director, Fiscal Officer, financial assistants, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charged to programs.

Supplies: All supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis.

Occupancy Costs: Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated based upon the allocation of the administrative staff's time.

Copy Costs: A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

Insurance: Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

Other Joint Costs: Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based upon usage by each program.

RECLASSIFICATION

Certain prior year financial information has been reclassified to conform to the current year presentation.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2017, which is the date the financial statements were available to be issued.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 83,352	\$ 83,352
Buildings and components	1,594,626	1,142,756
Vehicles and equipment	623,044	583,455
	<hr/>	<hr/>
	2,301,022	1,809,563
Less: accumulated depreciation	(1,139,886)	(1,045,937)
	<hr/>	<hr/>
	<u>\$ 1,161,136</u>	<u>\$ 763,626</u>

NOTE 3 – DEBT

During 2013 the Organization obtained a loan from Pacesetter Bank dated January 28, 2013 for the purchase of a building in Hartford City. The original principal amount was \$52,000 and was payable in monthly installments of \$528 including principal and interest. The interest rate was 4.00% and the note, which was secured by real estate, had a maturity date of February 5, 2023. In 2014 the note was refinanced through Citizens State Bank of New Castle with a new principal amount of \$340,000 payable in monthly installments of \$3,445, including principal and interest. The note is secured by real estate, has an interest rate of 4.00% and matures on May 5, 2024. The loan balance as of December 31, 2016 and 2015 was \$259,778 and \$289,835, respectively.

During 2014 the Organization obtained an \$80,000 demand note loan from Citizens State Bank of New Castle dated December 19, 2014. The interest rate is 6% and matured December 19, 2015. The loan was refinanced in January 2016 with an amortization of 20 years, monthly payment of \$554, and interest rate of 5.5%. The loan balance as of December 31, 2016 and 2015 was \$77,954 and \$80,000, respectively.

During 2016 the Organization obtained a \$30,265 business loan from The Farmers State Bank dated February 17, 2016. The interest rate is 6.5% and matures February 17, 2020. The monthly payments are \$718 and consist of principal and interest. The loan balance as of December 31, 2016 and 2015 was \$24,589 and \$0, respectively.

During 2016 the Organization obtained a \$415,000 business loan from The Farmers State Bank dated February 11, 2016. The interest rate is 5.0% and matures February 11, 2026. The monthly payments are \$4,402 and costs of principal and interest. The loan balances as of December 31, 2016 and 2015 was \$387,753 and \$0, respectively.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – DEBT (continued)

The future maturities of long-term debt are as follows for the years ended December 31:

<u>Year</u>	<u>Amount</u>
2017	\$ 75,115
2018	78,760
2019	82,587
2020	79,182
2021	81,454
Thereafter	352,977
	\$ 750,075

NOTE 4 – RETIREMENT PLAN

Community and Family Services, Inc. maintains a Section 401(k) Salary Deferral Plan for their employees, age 21 and older, who work 1,000 hours or more a year. Employees can generally defer a portion of their gross salary into the plan, not to exceed \$18,000 and \$17,500 for 2016 and 2015, respectively. The employer did not make any contributions for the years ended December 31, 2016 and 2015.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at three financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2016 and 2015. At times throughout the year, the balance in these accounts may exceed these limits. The cash balances at December 31, 2016 and 2015 were fully insured.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 – LINE OF CREDIT

The Organization established a \$100,000 line of credit with Citizens State Bank of New Castle Hartford City on January 29, 2016 with a variable interest rate of prime (3.75% at December 15, 2016) and an expiration date of January 29, 2017. The outstanding balance at December 31, 2016 and 2015 was \$99,492 and \$0, respectively. The line was renewed in January 2017 and is scheduled to expire January 29, 2018.

The Organization established another \$100,620 line of credit with Citizens State Bank of New Castle Hartford City on December 28, 2016 with a variable interest rate of prime (6.00% at December 31, 2016). The outstanding balance at December 31, 2016 and 2015 was \$100,620 and \$0, respectively. The line expires on June 28, 2017.

NOTE 7 – LEASE COMMITMENTS

Community and Family Services, Inc. has several operating leases for office space and equipment. The payments under these leases range from \$84 to \$1,350 per month and expire at various times. The rent expense amounted to \$106,241 and \$95,278 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments at December 31, 2016 under non-cancelable operating leases with initial terms of more than one year are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 50,800
2018	32,820
2019	15,025
2020	13,249
2021	4,358
Thereafter	-
	\$ 116,252

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 – CAPITALIZED INTEREST AND OTHER COSTS

Interest and other costs incurred during the construction of real property are capitalized to real property held for sale or fixed assets as appropriate during the active construction period, which generally commences when real estate assets are acquired and ends when the properties are substantially complete or the property becomes inactive. Interest is capitalized based on the interest rate applicable to specific borrowings. Interest and other costs capitalized to real estate held for sale are expensed as a component of cost of sales as related units are sold. Interest incurred and capitalized during December 31, 2016 and 2015 were \$2,976 and \$0, respectively.

NOTE 9 – SUBSEQUENT EVENTS

In February 2016, the Organization entered into a promissory note to purchase property in Decatur, Indiana, in the amount of \$415,000. This note is secured by a mortgage on the property due February 2026. Interest on the note is fixed at 5.0% for the first 36 months and variable based on the weekly average yield of US Treasury securities adjusted to the constant maturity of 1 year plus a margin of 4.0%.

Also, in February 2016, the Organization entered into a note for \$30,265 to purchase a coffee trailer. The loan is secured by the trailer and mortgage on real estate in Huntington, Indiana. The note has an interest rate of 6.5% and matures in February 2020.

SINGLE AUDIT SECTION

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR AGENCY	Federal	Grant or	
Pass-Through Agency	CFDA	Identifying	Federal
Program Title	Number	Number	Expenditures
U.S. Department of Agriculture			
Passed through the Indiana State Department of Health:			
Women Infants and Children	10.557	WIC-569-5	\$ 492,795
Women Infants and Children	10.557	WIC-569-6	154,316
Child and Adult Care Food Program	10.558	1380057	167,710
			<u>814,821</u>
U.S. Department of Housing and Urban Development			
Passed through the Indiana Housing & Community Development Authority:			
Section 8 Housing Choice Vouchers	14.871	HCV-016-07	761,828
Emergency Shelter Grant	14.231	ES-015-009	7,238
Emergency Shelter Grant	14.231	ES-016-011	13,530
			<u>782,596</u>
U.S. Department of Energy			
Passed through the Indiana Housing & Community Development Authority:			
Weatherization Assistance for Low-income Persons	81.042	WX-015-004	17,829
Weatherization Assistance for Low-income Persons	81.042	WX-016-004	184,906
			<u>202,735</u>
U.S. Department of Health and Human Services			
Direct Program:			
Head Start	93.600	05CH01023801	1,825,049
Head Start	93.600	05CH010238-02-01	400,483
			<u>2,225,532</u>
Passed through the Indiana Housing & Community Development Authority:			
Low-income Home Energy Assistance	93.568	LI-016-004	1,148,597
Low-income Home Energy Assistance	93.568	LI-017-004	745,639
Low-income Home Energy Assistance	93.568	WL-016-004	314,150
Low-income Home Energy Assistance	93.568	WL-017-004	67,221
Community Services Block Grant	93.569	CS-016-004	345,552
			<u>2,621,159</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,646,843</u></u>

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community and Family Services, Inc. and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Energy Assistance Payments

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,724,672 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2016.

Note 4 – Indirect Cost Rate

Community and Family Services, Inc. has elected not to use the 10% indirect cost rate allowed under Uniform Guidance.

**COMMUNITY AND FAMILY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2015.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2015.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Community and Family Services, Inc.

We have audited, in accordance with the 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, the financial statements of Community and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community and Family Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community and Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community and Family Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
May 31, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

To the Board of Directors
Community and Family Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Community and Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community and Family Services, Inc.'s major federal programs for the year ended December 31, 2016. Community and Family Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community and Family Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community and Family Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community and Family Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community and Family Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of Community and Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community and Family Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community and Family Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
May 31, 2017

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in
Accordance with 2 CFR section 200.516(a) Yes No

Programs tested as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	U.S. Dept. of Housing and Urban Development - Section 8 Housing Choice Vouchers
93.568	U.S. Dept. of Health and Human Services - Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2016.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended December 31, 2016.