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April 2, 2018


Board of Directors
Child and Parent Services, Inc.
1000 W. Hively Avenue
Elkhart, IN 46517

We have reviewed the report prepared by Child and Parent Services, Inc. and opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Child and Parent Services, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 24 through 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Cullar & 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, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

CHILD AND PARENT SERVICES, INC.

December 31, 2015 and 2014

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPORTING SCHEDULE	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements.....	8-17
SUPPORTING SCHEDULE	
Schedule of expenditures of federal awards.....	18
Notes to schedule of expenditures of federal awards	19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	22-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24-26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	27



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPORTING SCHEDULE

To the Board of Directors
Child And Parent Services, Inc.
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying 2015 financial statements of Child And Parent Services, Inc., which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of Child And Parent Services, Inc. as of December 31, 2015, and the changes in its net

assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supporting Schedule

Our audit was conducted for the purpose of forming an opinion on the financial statements 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.

2014 Financial Statements

The accompanying 2014 financial statements of Child And Parent Services, Inc. were audited by other auditors, whose opinion dated March 6, 2015 expressed an unmodified opinion on those financial statements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016, on our consideration of Child And Parent Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child And Parent Services, Inc.'s internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
August 15, 2016

CHILD AND PARENT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 238,652	\$ 53,039
Accounts receivable	67,223	74,785
Pledges receivable	113,500	129,668
Grants receivable	204,478	344,487
Prepaid expenses	49,686	47,015
<i>Total current assets</i>	<u>673,539</u>	<u>648,994</u>
Long-Term Assets:		
Pledges receivable	1,570,522	29,865
Investments	2,659,932	2,415,057
Beneficial interest in assets held by the Community Foundation	120,781	129,798
Property and equipment	410,867	391,038
<i>Total long-term assets</i>	<u>4,762,102</u>	<u>2,965,758</u>
<i>Total assets</i>	<u>\$ 5,435,641</u>	<u>\$ 3,614,752</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 26,314	\$ 53,986
Deferred revenue	8,284	-
Accrued liabilities	184,463	165,528
<i>Total current liabilities</i>	<u>219,061</u>	<u>219,514</u>
Net Assets:		
Unrestricted:		
Undesignated	1,549,333	1,742,871
Board designated	591,591	568,993
<i>Total unrestricted net assets</i>	<u>2,140,924</u>	<u>2,311,864</u>
Temporarily restricted	2,452,329	460,047
Permanently restricted	623,327	623,327
<i>Total net assets</i>	<u>5,216,580</u>	<u>3,395,238</u>
<i>Total liabilities and net assets</i>	<u>\$ 5,435,641</u>	<u>\$ 3,614,752</u>

The accompanying notes are an integral part of these financial statements.

CHILD AND PARENT SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and Support:								
Contributions and memorials	\$ 157,106	\$ 2,164,019	\$ -	\$ 2,321,125	\$ 410,242	\$ 5,000	\$ -	\$ 415,242
Grants	2,354,471	-	-	2,354,471	1,947,345	-	-	1,947,345
Service fees	288,502	-	-	288,502	238,258	-	-	238,258
Fundraising, less \$81,465 and \$89,243, respectively, in direct expenses	342,038	-	-	342,038	365,284	-	-	365,284
Change in beneficial interest in assets held by the Community Foundation	(9,017)	-	-	(9,017)	(1,104)	-	-	(1,104)
Investment income	(28,295)	(31,485)	-	(59,780)	179,573	86,122	-	265,695
Net assets released from restrictions	140,252	(140,252)	-	-	36,920	(36,920)	-	-
<i>Total revenues and support</i>	<u>3,245,057</u>	<u>1,992,282</u>	<u>-</u>	<u>5,237,339</u>	<u>3,176,518</u>	<u>54,202</u>	<u>-</u>	<u>3,230,720</u>
Expenses:								
Outreach	120,485	-	-	120,485	89,831	-	-	89,831
Building Blocks Preschool	282,957	-	-	282,957	247,976	-	-	247,976
Parent Education	281,804	-	-	281,804	288,737	-	-	288,737
Parent Aide	325,933	-	-	325,933	338,883	-	-	338,883
Healthy Families	1,233,929	-	-	1,233,929	1,186,632	-	-	1,186,632
Court Appointed Special Advocate	203,222	-	-	203,222	186,374	-	-	186,374
Guardian Ad Litem	80,631	-	-	80,631	70,710	-	-	70,710
Child and Family Advocacy Center	191,848	-	-	191,848	217,457	-	-	217,457
Supervised Visits	109,127	-	-	109,127	92,677	-	-	92,677
Positive Parenting Program	42,149	-	-	42,149	-	-	-	-
<i>Total program service expenses</i>	<u>2,872,085</u>	<u>-</u>	<u>-</u>	<u>2,872,085</u>	<u>2,719,277</u>	<u>-</u>	<u>-</u>	<u>2,719,277</u>
Fundraising	129,096	-	-	129,096	106,876	-	-	106,876
General and administrative	414,816	-	-	414,816	428,557	-	-	428,557
<i>Total expenses</i>	<u>3,415,997</u>	<u>-</u>	<u>-</u>	<u>3,415,997</u>	<u>3,254,710</u>	<u>-</u>	<u>-</u>	<u>3,254,710</u>
Change in net assets	(170,940)	1,992,282	-	1,821,342	(78,192)	54,202	-	(23,990)
Net assets, beginning of year	2,311,864	460,047	623,327	3,395,238	2,390,056	405,845	623,327	3,419,228
<i>Net assets, end of year</i>	<u>\$ 2,140,924</u>	<u>\$ 2,452,329</u>	<u>\$ 623,327</u>	<u>\$ 5,216,580</u>	<u>\$ 2,311,864</u>	<u>\$ 460,047</u>	<u>\$ 623,327</u>	<u>\$ 3,395,238</u>

The accompanying notes are an integral part of these financial statements.

CHILD AND PARENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Outreach	Building Blocks Preschool	Parent Education	Parent Aide	Healthy Families	Court Appointed Special Advocate	Guardian Ad Litem	Child and Family Advocacy Center	Supervised Visits	Positive Parenting Program	General and Fundraising Administrative	Totals	
Salaries	\$ 58,911	\$ 192,457	\$ 199,546	\$ 229,943	\$ 822,008	\$ 139,577	\$ 49,937	\$ 133,935	\$ 84,910	\$ 36,184	\$ 90,942	\$ 306,127	\$ 2,344,477
Employee benefits	5,315	23,018	15,794	23,610	92,462	18,288	8,067	6,563	2,306	357	1,876	16,976	214,632
Payroll taxes	4,334	13,321	14,453	16,238	57,857	9,850	3,593	9,802	6,251	2,703	6,850	22,215	167,467
Professional fees	-	-	824	-	6,000	-	-	-	-	-	-	10,772	17,596
Food supplies	818	3,929	5,391	-	1,179	-	-	-	-	741	116	296	12,470
Supplies	5,141	1,595	3,437	1,813	13,671	3,219	194	4,794	1,117	590	6,930	6,738	49,239
Telephone	376	1,785	1,010	3,769	11,692	1,940	164	977	646	601	190	2,036	25,186
Postage	294	180	479	366	1,482	407	791	177	220	21	1,714	536	6,667
Utilities	487	5,073	4,901	1,061	8,093	1,004	172	4,385	2,407	-	774	4,872	33,229
Building maintenance	579	5,984	5,900	1,530	9,597	1,285	251	7,196	2,663	-	881	5,665	41,531
Printing	3,039	1,009	2,477	790	5,362	1,177	166	552	387	476	823	2,969	19,227
Local transportation	319	1,824	882	14,847	48,593	10,395	2,092	1,539	147	8	-	-	80,646
Staff development	206	1,665	6,132	1,553	59,459	2,153	-	3,737	135	-	414	2,715	78,169
Subscriptions and memberships	4,485	30	77	15	2,450	1,010	-	670	175	-	759	4,872	14,543
Insurance	1,030	4,459	3,446	7,056	19,856	3,348	967	3,040	1,427	-	1,079	5,244	50,952
Meetings	141	67	65	689	1,663	1,082	87	393	-	221	2,160	5,787	12,355
Marketing	16,977	65	674	342	471	2,080	-	266	40	-	4,021	239	25,175
Contractual transportation	-	12,841	-	-	-	-	-	-	-	-	-	-	12,841
Depreciation	2,572	8,637	8,944	2,741	20,564	2,125	443	7,871	4,096	-	1,585	8,487	68,065
Bank service charges	296	712	783	842	3,833	595	235	674	434	-	6,028	832	15,264
Rent	-	-	-	-	13,195	-	-	-	-	-	-	-	13,195
Equipment support and repair	1,297	4,075	5,022	8,284	32,798	3,541	1,005	3,773	1,516	247	1,923	6,781	70,262
Contract labor	-	125	1,455	125	1,525	125	-	1,397	125	-	-	-	4,877
Bad debts	-	-	-	-	-	-	12,463	-	-	-	-	-	12,463
Property tax	-	-	-	-	-	-	-	-	-	-	-	345	345
Lobbying	292	-	-	-	-	-	-	-	-	-	-	-	292
Other	13,576	106	112	10,319	119	21	4	107	125	-	31	312	24,832
Totals	\$ 120,485	\$ 282,957	\$ 281,804	\$ 325,933	\$ 1,233,929	\$ 203,222	\$ 80,631	\$ 191,848	\$ 109,127	\$ 42,149	\$ 129,096	\$ 414,816	\$ 3,415,997

The accompanying notes are an integral part of these financial statements.

CHILD AND PARENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Outreach	Building Blocks Preschool	Parent Education	Parent Aide	Healthy Families	Court Appointed Special Advocate	Guardian Ad Litem	Child and Family Advocacy Center	Supervised Visits	Fundraising	General and Administrative	Totals
Salaries	\$ 42,308	\$ 159,821	\$ 198,564	\$ 243,758	\$ 840,650	\$ 123,224	\$ 48,038	\$ 141,658	\$ 69,888	\$ 74,828	\$ 309,898	\$ 2,252,635
Employee benefits	2,237	17,604	14,598	23,094	86,390	11,463	7,719	9,268	1,784	752	14,818	189,727
Payroll taxes	3,266	11,257	14,556	17,313	60,729	9,065	3,356	10,498	5,104	5,718	22,237	163,099
Professional fees	-	-	-	-	5,000	-	-	-	-	-	8,907	13,907
Food supplies	-	4,626	6,497	-	12	-	-	-	-	-	736	11,871
Supplies	721	1,622	2,803	7,755	8,722	1,015	133	5,097	698	2,953	17,070	48,589
Telephone	353	1,581	800	4,481	12,185	1,706	275	1,246	514	270	1,772	25,183
Postage	400	171	482	295	1,763	635	668	223	193	1,853	572	7,255
Utilities	492	5,127	4,953	1,072	7,732	1,014	174	4,432	2,433	783	4,924	33,136
Building maintenance	624	7,683	6,872	2,218	9,837	1,328	312	8,346	2,868	1,655	6,706	48,449
Printing	1,338	329	1,445	413	3,128	793	85	519	218	714	1,776	10,758
Local transportation	331	810	1,186	14,847	50,734	8,142	2,430	1,745	181	176	2,078	82,660
Staff development	5,954	500	396	5,208	14,401	6,882	-	4,921	229	6,727	4,249	49,467
Subscriptions and membership	4,343	71	51	320	1,926	770	-	659	175	389	4,787	13,491
Insurance	774	2,853	4,583	5,576	20,270	2,853	839	2,793	1,301	1,020	5,045	47,907
Meetings	545	108	-	672	792	970	-	250	-	2,017	2,973	8,327
Marketing	21,539	178	982	314	1,032	1,546	-	292	189	225	48	26,345
Contractual transportation	-	18,358	-	-	-	-	-	-	-	-	-	18,358
Depreciation	2,770	10,086	10,548	3,433	13,116	2,613	555	9,672	4,729	1,650	10,061	69,233
Bank service charges	311	640	830	861	4,446	645	272	771	546	2,953	860	13,135
Rent	-	-	-	-	13,770	-	-	-	-	-	-	13,770
Equipment support and repair	1,515	4,336	6,754	7,231	29,803	4,582	1,919	14,595	1,577	2,177	7,850	82,339
Contract labor	-	-	11,734	-	120	-	-	380	-	-	-	12,234
Bad debts	-	-	-	-	-	7,107	3,931	-	-	-	-	11,038
Property tax	-	-	-	-	-	-	-	-	-	-	345	345
Lobbying	-	-	-	-	-	-	-	-	-	-	401	401
Other	10	215	103	22	74	21	4	92	50	16	444	1,051
Totals	\$ 89,831	\$ 247,976	\$ 288,737	\$ 338,883	\$ 1,186,632	\$ 186,374	\$ 70,710	\$ 217,457	\$ 92,677	\$ 106,876	\$ 428,557	\$ 3,254,710

The accompanying notes are an integral part of these financial statements.

CHILD AND PARENT SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,821,342	\$ (23,990)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,065	69,233
Donated investments	(25,957)	-
Realized investment (gains)	(117,080)	(315,783)
Unrealized investment losses	160,146	40,602
Change in beneficial interest in assets held by the Community Foundation	9,017	1,104
Reinvested investment earnings	(35,801)	-
Changes in assets and liabilities:		
Accounts receivable	7,562	(64,188)
Pledges receivable	(1,524,489)	(29,668)
Grants receivable	140,009	7,648
Prepaid expenses	(2,671)	(13,879)
Accounts payable	(27,672)	(7,290)
Deferred revenue	8,284	-
Accrued liabilities	18,935	1,216
<i>Net cash provided by (used in) operating activities</i>	<u>499,690</u>	<u>(334,995)</u>
Cash Flows from Investing Activities:		
Purchase of assets restricted for property and equipment	(408,001)	-
Purchase of property and equipment	(87,894)	(30,752)
Purchase of investments	(1,498,260)	(778,962)
Proceeds from sale of investments	1,272,077	1,106,741
<i>Net cash provided by (used in) financing activities</i>	<u>(722,078)</u>	<u>297,027</u>
Cash Flows from Financing Activities:		
Contributions received for property and equipment	<u>408,001</u>	<u>-</u>
Net change in cash and cash equivalents	185,613	(37,968)
Cash and cash equivalents, beginning of year	<u>53,039</u>	<u>91,007</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 238,652</u>	<u>\$ 53,039</u>
 <i>Supplemental Cash Flows Information:</i>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Child And Parent Services, Inc. (the Organization) is an Indiana nonprofit corporation that offers programs to prevent child abuse and provide early intervention with at-risk children and families. Its operations are supported primarily by government grants and contracts, fees for service, community support, and special events. Information about certain programs of the Organization follows:

- *Building Blocks Preschool* program is for children ages three to five that have been abused or have emotional, social, or behavioral problems. The safe, consistent, and structured environment fosters growth in those areas as well as prepares the child for success in school. The program requires intense parental involvement including home visitation and parenting classes.
- *Parent Education* includes programs in a variety of settings and formats. It includes a series of classes at the Joy Rose Center and in the community. Baby Think It Over offers eighth graders computerized babies to learn about the responsibility of caring for an infant.
- *Parent Aide* program is a home visitation program which serves families with children of all ages who are experiencing crisis.
- *Healthy Families* exists to help parents of newborn infants by offering support and information about child development and what to expect as a new parent. Healthy Families Support Specialists visit homes on a regular basis to provide new parents with information, encouragement, and support.
- *Court Appointed Special Advocate (CASA)* volunteers spend time weekly to advocate for children in the court system. A judge appoints CASA volunteers to abuse or neglect cases to represent the child's best interest. They provide the judge with objective information and recommendations.
- *Guardian ad Litem (GAL)* was established in 2004 at the request of the Superior Court. The judges wanted similar quality services to the CASA program in the juvenile courts. GAL works on custody and paternity cases exclusively in the superior court. GAL staff are a legal party representing the children through relationship building, information gathering, attendance at meetings, and court proceedings. GAL monitors parent and guardian compliance with court orders.
- *Child and Family Advocacy Center (CFAC)* is a resource to families and the agencies which investigate and intervene in child abuse cases in Elkhart County. CFAC provides a kid-friendly environment, forensic interviews for children, advocacy and support for family members, and other programs focused on assisting child victims and their families.
- *Supervised Visits* provides an opportunity for children to enjoy a safe, neutral visit with a non-custodial parent. A judge may order that visits be supervised if more information is needed about the relationship between the parent and child or if there are safety concerns. The program offers each family a private, home-like space for visiting. The environment is safe and secure.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Significant estimates used in the accompanying financial statements include-

- Revenue earned from fee-for-service awards from governmental agencies that are governed by administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The amount and timing of collections of pledges receivable, which are reported in the accompanying 2015 statement of financial position at \$1,684,022. Such contributions were originally recorded at the fair value of expected collections, based on estimates of collectible amounts, the timing of those collections, and an appropriate interest rate. It is at least reasonably possible that the amounts collected or the timing of those collections, or both, will change.
- The valuation of beneficial interests in assets held by the Community Foundation, which is based on the value of the underlying assets, as provided by the Community Foundation that holds the assets and which approximates the present value of expected future distributions.
- The allocations of costs among functions in the statements of activities and functional expenses, which are based on time and facility usage studies and other cost allocation methods.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets-

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* are those received with permanent donor stipulations. Investment return on permanently restricted net assets that is available for distribution is recorded as unrestricted or temporarily restricted net assets, depending upon whether there are donor restrictions on investment return.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. However, cash and cash equivalents temporarily held in investment accounts pending re-investment are included in investments, and cash and cash equivalents restricted for long-term purposes are reported as a long-term asset.

Accounts receivable:

~~Accounts receivable are stated at the outstanding principle balance, net of any charge-offs and an allowance for doubtful accounts. The Organization provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer deemed probable and an allowance based upon the level of total accounts receivable balances. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. No allowance for doubtful accounts was considered necessary at either December 31, 2015 or 2014. The Organization does not generally charge interest on its accounts receivable.~~

Contributions and grants:

Revenue from fee-for-service awards are recognized when eligible services are rendered under the terms of the awards. Revenue from cost-reimbursement awards are recognized when costs allowable under the terms of the awards are incurred. Advances received in excess of eligible services or allowable costs are reported as liabilities.

The Organization reports gifts and grants of cash and other assets as revenue when unconditionally promised, and considers such gifts to be available for unrestricted use unless specifically restricted by donor. 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 statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

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.

The Organization provides an allowance for doubtful pledges and grants receivable based upon the specific identification of receivables where collection is no longer deemed probable and an allowance based upon the level of receivable balances. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not charge interest on its pledges and grants fees receivable.

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No amounts for contributed services were recognized in the accompanying financial statements; however, a substantial number of unpaid volunteers make significant contributions of their time to the Organization that do not meet the requirements to be recognized in the financial statements.

Investments:

Investments are stated at fair value, and realized and unrealized gains and losses are included in investment income in the accompanying statements of activities. The specific identification method is used to determine the cost basis for realized gains and losses. Fair value is estimated using quoted market prices.

Beneficial interest in assets held by the Community Foundation:

The Organization recognizes its beneficial rights in assets held by others unless the donor has granted the recipient organization variance power. However, if the Organization is both the donor and the beneficiary of the assets, those rights are recognized even if the recipient organization has been granted variance power.

Beneficial interests in assets held by the Community Foundation of Elkhart County, Inc. is stated at fair value, based on the value of the underlying assets, as provided by the Community Foundation and which approximates the present value of expected future distributions. Changes in the value of beneficial interests are included in revenues in the statements of activity.

Property and equipment:

Property and equipment is stated at cost if purchased, or at fair market value at the date of receipt if donated, less accumulated depreciation and less any impairment. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets. Useful lives are generally as follows:

Building and improvements.....	10-30 years
Furniture and equipment.....	3-10 years

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated business income. Consequently, the accompanying financial statements do not include any provision for income taxes except for tax on unrelated business income. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at December 31, 2015 or 2014, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years ending prior to December 31, 2012.

NOTE 2. PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN

Pledges receivable at December 31, 2015 consist of unconditional promises to give to the Organization's "Building for Kids' Sake" capital campaign for constructing new facilities, which was started in 2015, and to its Vision 2020 campaign for the Organization's future financial strength, which was started in prior years. The pledges are due as follows:

	Building for Kids' Sake	Vision 2020	Totals
Due in less than one year	\$ -	\$ 113,500	\$ 113,500
Due in one to five years	<u>1,576,478</u>	<u>101,500</u>	<u>1,677,978</u>
	1,576,478	215,000	1,791,478
Less allowance for uncollectibles	(35,460)	-	(35,460)
Less unamortized discount	<u>(71,996)</u>	<u>-</u>	<u>(71,996)</u>
<i>Totals</i>	<u>\$ 1,469,022</u>	<u>\$ 215,000</u>	<u>\$ 1,684,022</u>

Pledges receivable at December 31, 2014 consisted of unconditional promises to give to the Vision 2020 campaign, and are reported net of unamortized discount of \$135.

Contributions due in more than one year are discounted at 4.01% and .27% at December 31, 2015 and 2014, respectively.

Subsequent to December 31, 2015, the Organization received an award for \$1,250,000 for the capital campaign, and the Organization began construction of a new facility that is expected to cost approximately \$5,500,000 and to be completed in 2018.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3. INVESTMENTS INFORMATION

Investments consist of the following at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 515,182	\$ 194,196
U.S. Treasury Bills	399,268	681,901
Common stocks	<u>1,745,482</u>	<u>1,538,960</u>
<i>Total investments</i>	<u>\$ 2,659,932</u>	<u>\$ 2,415,057</u>

Investment income for the years ended December 31, 2015 and 2014, respectively, consists of the following:

Interest and dividends	\$ 9,254	\$ 18,931
Distributions from beneficial interest in assets held by the Community Foundation	6,310	6,210
Realized gains	117,080	315,783
Unrealized (losses)	(160,146)	(40,602)
Investment management fees	<u>(32,278)</u>	<u>(34,627)</u>
<i>Total investment income</i>	<u>\$ (59,780)</u>	<u>\$ 265,695</u>

NOTE 4. BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Organization is the beneficiary of an endowment fund held by Community Foundation of Elkhart County, Inc. (the Community Foundation) to which both the Organization and others have donated. The Organization and the other donors granted the Community Foundation variance power in the determination of annual distributions and transfer of the account to other community organizations in certain circumstances. The Organization has made total accumulated contributions to the fund \$120,000, all of which was made prior to 2014. The value of that portion of the fund attributable to contributions by the Foundation is \$120,781 and \$129,798 at December 31, 2015 and 2014, respectively. The change in value of that portion of the fund was \$9,017 and \$1,104 for the years ended December 31, 2015 and 2014, respectively, which is included in revenues in the accompanying statements of activities. Distributions of \$6,310 and \$6,210 were made directly from that portion of the fund to Organization during the years ended December 31, 2015 and 2014, respectively, which are included in investment income.

The value of the portion of the fund attributable to contributions by others is not recorded as an asset because it was established by other donors who granted Community Foundation variance power. The value of that portion of the fund at December 31, 2015 and 2014 was \$189,768 and \$197,675, respectively. Distributions of \$8,570 and none were made from that portion of the fund during the years ended December 31, 2015 and 2014, respectively, which are included in contributions revenue in the accompanying statements of activities.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Land	\$ 120,998	\$ 120,998
Building and improvements	905,801	905,801
Furniture and equipment	<u>142,967</u>	<u>130,424</u>
	1,169,766	1,157,223
Less accumulated depreciation	<u>(859,950)</u>	<u>(791,885)</u>
	309,816	365,338
Assets not yet in service	<u>101,051</u>	<u>25,700</u>
<i>Net property and equipment</i>	<u>\$ 410,867</u>	<u>\$ 391,038</u>

NOTE 6. NET ASSETS INFORMATION

Board designated unrestricted net assets are designated for endowment purposes (see Note 8). Temporarily restricted net assets are available for the following periods or purposes at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 1,852,967	\$ 5,000
Endowments	384,362	455,047
Time restricted Vision 2020 pledges	<u>215,000</u>	<u>-</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 2,452,329</u>	<u>\$ 460,047</u>

Permanently restricted net assets consist of an endowment fund established to generate income for the Vision Building Healthy Families for Generations project (see Note 8).

Net assets were released from restrictions in both 2015 and 2014 by incurring expenses for restricted purposes.

NOTE 7. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. That hierarchy describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of assets measured on a recurring basis at December 31, 2015 and 2014, respectively, is as follows:

	Fair Value	Level 1	Level 2	Level 3
<i>For 2015:</i>				
Investments	\$ 2,659,932	\$ 2,659,932	\$ -	\$ -
Beneficial interest in assets held by the Community Foundation	<u>120,781</u>	<u>-</u>	<u>-</u>	<u>120,781</u>
<i>Totals</i>	<u>\$ 2,780,713</u>	<u>\$ 2,659,932</u>	<u>\$ -</u>	<u>\$ 120,781</u>
 <i>For 2014:</i>				
Investments	\$ 2,415,057	\$ 2,415,057	\$ -	\$ -
Beneficial interest in assets held by the Community Foundation	<u>129,798</u>	<u>-</u>	<u>-</u>	<u>129,798</u>
<i>Totals</i>	<u>\$ 2,544,855</u>	<u>\$ 2,415,057</u>	<u>\$ -</u>	<u>\$ 129,798</u>

Fair values for investments are determined by reference to quoted market prices. Fair value for the beneficial interest in assets held by the Community Foundation is based on the fair value of the underlying assets, as provided by the Community Foundation and which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs:

	2015	2014
Fair value, beginning of year	\$ 129,798	\$ 130,902
Distributions	(6,310)	(6,210)
Change in value	<u>(2,707)</u>	<u>5,106</u>
<i>Fair value, end of year</i>	<u>\$ 120,781</u>	<u>\$ 129,798</u>

The change in value of the beneficial interest in assets held by the Community Foundation, net of distributions, is reported as such in revenues in the accompanying statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at December 31, 2015 and 2014, respectively.

NOTE 8. ENDOWMENT INFORMATION

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Indiana enacted the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) effective July 7, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Board and management, on the advice of legal

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

counsel, have determined that certain net assets meet the definition of endowment funds under UPMIFA. These consist of funds permanently restricted by donors for the Organization's Vision Building Healthy Families for Generations project; unexpended earnings on the permanently restricted endowment, and Board designated net assets. A summary of the endowment funds composition and changes is as follows as of and for the years ended December 31, 2014 and 2015, respectively:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances December 31, 2013	\$ 53,523	\$ 405,845	\$ 623,327	\$ 1,082,695
Net investment income	40,707	86,122	-	126,829
Contributions	474,763	-	-	474,763
Distributions	-	(36,920)	-	(36,920)
<i>Balances December 31, 2014</i>	<u>568,993</u>	<u>455,047</u>	<u>623,327</u>	<u>1,647,367</u>
Net investment income	(16,602)	(31,485)	-	(48,087)
Contributions	-	-	-	-
Appropriated for expenditure	<u>39,200</u>	<u>(39,200)</u>	-	-
<i>Balances December 31, 2015</i>	<u>\$ 591,591</u>	<u>\$ 384,362</u>	<u>\$ 623,327</u>	<u>\$ 1,599,280</u>

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted investment and spending policies, approved by the Board, for assets that attempt to provide a predictable stream of funding to the Organization while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Assets are invested in target allocation of approximately 75% domestic equities, 15% debt securities, 5% diversified strategies, and 5% cash and cash equivalents. Investment risk is measured in terms of total invested assets; investment assets and allocation between asset classes and strategies are managed to not expose the invested assets to unacceptable levels of risk.

Spending Policy. The Organization's spending policy limits distributions to 3% of the previous 16-quarter, rolling average of the portfolio's market value. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment fund to grow at an average 7-8% annually.

In establishing this policy, the Foundation considered the long-term expected return on its investment assets and the possible effects of inflation. The Foundation's objective and goal, over time, is to not have distributions, plus inflation, exceed the rate of return in its endowment fund.

NOTE 9. LEASE INFORMATION

The Organization leases its Goshen office under an operating lease that expires in January 2017. Minimum future rental payments under this lease as of December 31, 2015 for each of the next two years and in the aggregate are as follows:

CHILD AND PARENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

2016	\$ 13,200
2017	1,100
<i>Total minimum future rental payments</i>	<u>\$ 14,300</u>

Total rent expense was \$13,200 and \$13,770 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10. CONCENTRATIONS

All of the programs and activities of the Organization occur in Elkhart County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area. In addition, of total revenues for the years ended December 31, 2015 and 2014, approximately 22% and 35%, respectively, were from grants from the State of Indiana; approximately 11% and 16%, respectively, were from grants from another nonprofit organization; and approximately 37% and none, respectively, were from the Building for Kids' Sake capital campaign discussed in Note 2.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and pledges and grants receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the federal deposit insurance limits, but at December 31, 2015 had no deposits in excess of those limits. At December 31, 2015, approximately 36% of total pledges receivable were due from two individuals and approximately 77 % and 22%, respectively, of grants and fees receivable were due from the State of Indiana and from another nonprofit organization.

NOTE 11. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to December 31, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is August 15, 2016, the date on which the financial statements were available to be issued. Management identified no such events except for the matters discussed in Note 2 concerning the Organization's capital campaign and its plans to construct a new facility.

CHILD AND PARENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
U. S. Department of Agriculture:				
Passed-through Indiana Department of Education:				
Child and Adult Care Food Program	10.558	1200220	\$ 4,466	\$ -
U. S. Department of Justice:				
Passed-through Indiana Department of Education:				
Crime Victim Assistance	16.575	13VA2173	30,728	-
Crime Victim Assistance	16.575	13VA2174	40,390	-
Passed-Through The National Court Appointed Special Advocate Association:				
Juvenile Mentoring Program	16.726	IN10164-13-0615-F2	21,400	-
Passed-through Indiana Chapter of the National Children's Alliance:				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	1ELKH-IN-SA14	9,000	-
<i>Total U. S. Department of Justice</i>			<u>101,518</u>	<u>-</u>
U. S. Department of Health and Human Services:				
Passed-through Indiana Department of Child Services:				
Affordable Care Act (ACA) Maternal, Infant, and				
Early Childhood Home Visiting Program	93.505	A93-2-12-HF-MO-0875	626,964	-
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	A93-3-13-HF-MO-1113	546,528	-
<i>Total U. S. Department of Health and Human Services</i>			<u>1,173,492</u>	<u>-</u>
<i>Total federal assistance</i>			<u>\$ 1,279,476</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

CHILD AND PARENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activities of Child And Parent Services, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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**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
Child And Parent Services, Inc.
Elkhart, Indiana

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 2015 financial statements of Child And Parent Services, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated August 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 entity'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies, described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

The Organization's Response to the Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Cullen & Associates, P.C.

South Bend, Indiana
August 15, 2016



CULLAR & ASSOCIATES, PC

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

To the Board of Directors
Child And Parent Services, Inc.
Elkhart, Indiana

Report on Compliance for Each Major Federal Program

We have audited Child And Parent 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 Child And Parent Services, Inc.'s major federal programs for the year ended December 31, 2015. Child And Parent 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Child And Parent 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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 Child And Parent 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 Child And Parent Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Child And Parent 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, 2015.

Report on Internal Control over Compliance

Management of Child And Parent 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 Child And Parent 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 Child And Parent 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.

Cullen & Associates, P.C.

South Bend, Indiana
August 15, 2016

CHILD AND PARENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Child And Parent Services, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses and two significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements, which are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Child And Parent Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal programs for Child And Parent Services, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program, CFDA number 93.505.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Child And Parent Services, Inc. was determined to be a low-risk auditee.

Findings - Financial Statements Audit

SIGNIFICANT DEFICIENCIES

FINDING 2015-001

Condition: An audit adjustment was proposed, and was made by management, to reclassify pledges for a capital campaign from deferred revenues to temporarily restricted revenues.

Criteria: Accounting Standards Codification §958-605-25-8 states that unconditional promises to give shall be recognized as revenue when received.

Cause: The former Vice President of Finance and Administration felt that an intent to possibly return donations if the building campaign was not successful warranted recording the donations as deferred revenues rather than as restricted revenues.

CHILD AND PARENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Effect: Net assets, revenues, and the change in net assets were misstated by \$2,031,000 prior to the audit adjustment.

Context: Management planned to return pledge donations if the fund-raising campaign did not raise adequate funding to complete the building project. However, this was not communicated to donors in the fundraising materials and donors received statements for their donations to substantiate tax deductions. The nature of the adjustment is unlikely to alter readers' evaluation of the Organization's financial position or activities.

Recommendations: We recommend management follow its Financial Policies Manual, which stipulates that all contributions will be recorded in compliance with general accepted accounting standards.

Views of Responsible Officials and Planned and Corrective Action: Management and the governing Board of Directors strongly felt that if the Capital Campaign project did not come to fruition, all restricted donations relating to the Building for Kid's Sake Project would be returned to donors. Groundbreaking is scheduled for September 1, 2016 and the project is moving forward, therefore the recognition of revenue is appropriate.

FINDING 2015-002

Condition: The Organization's bank does not provide copies of canceled check images with the monthly bank statements, and no one reviews those images online. The Accounting Assistant prepares checks and electronic payments, downloads the monthly bank statements without cancelled check images, and reconciles the bank statement in *QuickBooks* (the accounting software). The Vice President of Finance reviews the bank statement and related reconciliation without seeing any cancelled check images.

Criteria: §200.302(b)(4) of the Uniform Guidance requires that a recipient's financial management system shall provide...“Effective control over, and accountability for, all funds, property and other assets. The non-federal entity must adequately safeguard all such assets and assure they are used solely for authorized purposes.”

Cause: The former Vice President of Finance and Administration felt that reconciling the check numbers and amounts was adequate controls to prevent unauthorized payments.

Effects: The lack of review of canceled check images increases the risk that unauthorized checks would not be detected. *QuickBooks* allows users to change recorded transactions, and many organizations have suffered embezzlements in which a user generated unauthorized checks and then changed the recorded transaction to appear legitimate. Such a scheme can be difficult to detect unless another individual reviews the actual source documents (i.e., the canceled check images). In addition, since the image copies are only available on line for a limited period of time, the Organization may find it difficult or expensive to obtain copies in the event of future audits by funding sources or taxing authorities.

CHILD AND PARENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Context: Both the Accounting Assistant and Vice President of Finance review the bank account and *QuickBooks* activity almost daily. Their joint constant review of the system would make it very difficult for either one of them to fraudulently enter invoices. However, they place reliance on a two-person check signing control which may not be effective because the bank does not monitor it. In our test of disbursements, 1 out of 28 checks tested contained only one signature, but the bank cleared that check. In addition, signatures can be forged with little likelihood of detection by the bank.

Recommendations: We recommend that the Vice President of Finance contact the bank to request that copies of canceled check images be sent with the monthly bank statements. We recommend that the CEO or another knowledgeable management official outside of the accounting function open the monthly bank statements, review them for propriety, and initial and date them to document her review. Alternatively, the Organization could utilize a “positive pay” system whereby multiple people receive notification from the bank of the check number, payee, date, and amount submitted for payment.

Views of Responsible Officials and Planned and Corrective Action: Current internal controls require a dual signature on all checks, cash is reconciled on a monthly basis and monitored daily. Management believes that current controls are reasonable to detect material fraud however; management understands the risk of fraudulent check writing. Management began reviewing cancelled check images beginning in August 2016 when the deficiency was brought to our attention.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings or questioned costs in the major federal award programs audit.

CHILD AND PARENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2015

There were no findings regarding federal awards in the December 31, 2014 audit.
