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April 4, 2018

Board of Directors  
Family Works, Inc.  
3266 N. Meridian Street, Suite 802  
Indianapolis, IN 46208

We have reviewed the report prepared by Family Works, Inc. and opined upon by Haywood Henn, 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 Family Works, 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, Haywood Henn 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

**FAMILY WORKS, INC.**

**AUDITED FINANCIAL STATEMENTS  
MODIFIED CASH BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of assets, liabilities and stockholders' deficit - modified cash basis	2
Statements of revenues, expenses and retained deficit - modified cash basis	3
Statements of cash flows - modified cash basis	4
Notes to financial statements	5 - 8
SUPPLEMENTARY INFORMATION	
Schedule I - direct program expenses - modified cash basis	9
Schedule II - general and administrative expenses - modified cash basis	10
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS	11
EXIT CONFERENCE	12

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Family Works, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Family Works, Inc., which comprise the statements of assets, liabilities, and stockholders' deficit - modified cash basis as of December 31, 2016 and 2015, and the related statements of revenues, expenses and retained deficit - modified cash basis and statements of cash flows - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 evaluation 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 assets, liabilities, and stockholders' deficit of Family Works, Inc. as of December 31, 2016 and 2015, and the results of operations for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

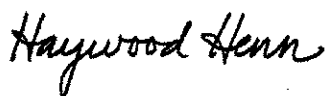
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to above as a whole. Schedules I and II on pages 9 and 10 are presented for purposes of additional analysis and are 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 Matter**

We have also issued a report dated September 29, 2017 on our consideration of Family Works, Inc.'s internal control structure and on its compliance with laws and regulations. This report can be found on page 11.



September 29, 2017  
Indianapolis, Indiana

FAMILY WORKS, INC.  
 STATEMENTS OF ASSETS, LIABILITIES AND DEFICIT - MODIFIED CASH BASIS  
 December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,480	\$ 41,493
TOTAL CURRENT ASSETS	25,480	41,493
PROPERTY AND EQUIPMENT		
Machinery and equipment	82,969	72,950
	<u>82,969</u>	<u>72,950</u>
Less accumulated depreciation	(78,393)	(68,206)
	<u>4,576</u>	<u>4,744</u>
	<u>\$ 30,056</u>	<u>\$ 46,237</u>

	<u>2016</u>	<u>2015</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Line of credit	\$ 35,000	\$ 20,000
Credit card payable	36,506	28,743
Pension liability payable	5,888	-
Payroll tax liability payable	12,494	14,304
Payroll liability payable	<u>30,068</u>	<u>33,906</u>
TOTAL CURRENT LIABILITIES	119,956	96,953
STOCKHOLDERS' DEFICIT		
Common stock, 1,500 shares, no par value, authorized, issued, and outstanding	1,500	1,500
Retained deficit	<u>(91,400)</u>	<u>(52,216)</u>
	<u>(89,900)</u>	<u>(50,716)</u>
	<u>\$ 30,056</u>	<u>\$ 46,237</u>

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FAMILY WORKS, INC.

STATEMENTS OF REVENUES, EXPENSES AND RETAINED DEFICIT - MODIFIED CASH BASIS

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
PROGRAM REVENUES	\$ 1,533,300	\$ 1,642,728
OPERATING EXPENSES		
Direct program expense	1,033,470	1,177,775
General & administrative expense	<u>422,652</u>	<u>355,890</u>
INCOME FROM OPERATIONS	77,178	109,063
OTHER INCOME (EXPENSE)		
Interest income	2	3
Interest expense	<u>(6,564)</u>	<u>(6,024)</u>
	<u>(6,562)</u>	<u>(6,021)</u>
NET INCOME	70,616	103,042
BEGINNING RETAINED DEFICIT	(52,216)	(46,817)
Distributions	<u>(109,800)</u>	<u>(108,441)</u>
ENDING RETAINED DEFICIT	<u>\$ (91,400)</u>	<u>\$ (52,216)</u>

FAMILY WORKS, INC.  
 STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
 Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,533,300	\$ 1,642,728
Cash paid to suppliers and employees	(1,437,932)	(1,511,184)
Interest received	2	3
Interest paid	<u>(6,564)</u>	<u>(6,024)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	88,806	125,523
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(10,019)</u>	<u>(13,216)</u>
NET CASH USED BY INVESTING ACTIVITIES	(10,019)	(13,216)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit	15,000	-
Repayments on line of credit	-	(4,790)
Distributions to stockholder	<u>(109,800)</u>	<u>(108,441)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(94,800)</u>	<u>(113,231)</u>
NET DECREASE IN CASH	(16,013)	(924)
CASH AT BEGINNING OF YEAR	<u>41,493</u>	<u>42,417</u>
CASH AT END OF YEAR	<u>\$ 25,480</u>	<u>\$ 41,493</u>

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 70,616	\$ 103,042
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,187	13,384
Increase (decrease) in:		
Credit card liability	7,763	8,271
Payroll tax liability	(1,810)	1,750
Payroll liability	(3,838)	2,970
Pension withholdings	5,888	(3,894)
	<u>5,888</u>	<u>(3,894)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 88,806</u>	<u>\$ 125,523</u>

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Family Works, Inc., (the "Company") was formed in September of 1990 for the purpose of providing family and individual diagnostic, evaluation and counseling services in the metropolitan Indianapolis area. The Company provides all of its services as one program. These services include: 1) therapy; 2) case management; 3) family functioning assessments; 4) sex offender/sex abuse treatment and; 5) visitation facilitation. The Company's primary contracts are with the Indiana Department of Child Services ("DCS") and Choices, Inc. The Company serves customers in Marion, Hamilton, Hancock, Hendricks and Tipton County.

Basis of accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Company has not recognized accounts receivable from third party agencies or accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

Cash and cash equivalents

The Company classifies as cash all investments with an original maturity of less than three months or investments purchased within three months of maturity. All other investments are classified as short-term investments.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided using the double-declining method over the estimated useful lives of the respective items. Expenditures extending the useful life of existing items are capitalized and depreciated. Maintenance and repairs are charged to operations when incurred. When items are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Company, with the consent of its stockholders, has elected to be taxed under sections of the federal and state income tax laws, which provide that, in lieu of corporate income taxes, the shareholders individually account for the Company's items of income, deduction, losses and credits within their individual income tax returns. Corporate federal and state income tax returns of the Company are subject to examination by the tax authorities, depending upon each jurisdiction's statute of limitations, generally for three years after they are filed.

Management use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS, PROGRAM REVENUES

During the years ended December 31, 2016 and 2015, the Company's significant program revenues were derived from contracts with the DCS and Choices, Inc. The Company serves customers in Marion, Hamilton, Hancock, Hendricks and Tipton Counties.

NOTE 3 - PENSION PLAN

The Company sponsors a SIMPLE salary reduction pension plan. Eligible employees can defer up to the maximum amount, set annually by the Internal Revenue Service, of their compensation into the Plan. During 2016 and 2015 the Company funded discretionary matching contributions of \$14,434 and \$5,327, respectively.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NOTE PAYABLE WITH BANK

On June 30, 2010, the Company entered into a revolving line of credit with a bank. Under this agreement, the maximum amount that can be advanced is \$50,000 and any outstanding balance bears interest at a rate of prime plus 3.42%. The prime lending rate at December 31, 2016 was 3.5%.

The outstanding balance at December 31, 2016 and 2015 was \$35,000 and \$20,000, respectively. The line of credit is guaranteed by the Company's stockholders, was renewed June 30, 2011 and is in the process of being renegotiated as of the date of these financial statements.

NOTE 5 - FAIR VALUE OF INSTRUMENTS

The Company's financial instruments are cash and cash equivalents, current liabilities and notes payable. The recorded values of cash and cash equivalents approximate their fair values based on their short-term nature. The recorded values of current liabilities and notes payable approximate their fair values.

NOTE 6 - LEASE INFORMATION

The Company signed a lease agreement for the current location effective September 1, 2013. Under the terms of the lease, the Company must bear the cost of real estate taxes, insurance, utilities and any other costs associated with occupying the facility. The Company signed an amended lease agreement for the current location effective March 9, 2015. The amended lease agreement increased the office space to 4,180 square feet, extended the length of the lease and adjusted the monthly cost. Per the lease, the first three months were rent free. Rent expense of \$42,188 and \$42,141 has been included in the income statements for the years ended December 31, 2016 and 2015, respectively.

FAMILY WORKS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE INFORMATION (CONTINUED)

The Company also entered into two operating leases for vehicles. One vehicle lease requires a monthly payment of \$335 and the other a monthly payment of \$410. One lease expires in November of 2018 and the other in November of 2019. Neither lease contains a bargain purchase option. The Company may purchase each vehicle at the expiration of each lease term for the fair market value of each vehicle as agreed to at the inception of each lease. Lease expense of \$8,940 and \$745 has been included in the income statements for the years ended December 31, 2016 and 2015, respectively.

The total minimum lease payments required for the above leases at December 31, 2016 is as follows:

2017	\$	54,920
2018		54,585
2019		54,670
2020		50,160
Total lease payments	\$	<u>214,335</u>

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2017, the date on which the financial statements were available to be issued.

FAMILY WORKS, INC.  
 SCHEDULE I - DIRECT PROGRAM EXPENSES - MODIFIED CASH BASIS  
 Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 753,674	\$ 892,326
Seminars and training	24,551	24,596
Health insurance-group	73,776	68,472
Liability insurance	22,254	21,720
Insurance-workman's comp	1,094	15
Payroll taxes	58,652	72,460
Criminal background check	1,163	1,437
Mileage	<u>98,306</u>	<u>96,749</u>
TOTAL DIRECT PROGRAM EXPENSES	<u>\$ 1,033,470</u>	<u>\$ 1,177,775</u>

FAMILY WORKS, INC.  
SCHEDULE II - GENERAL & ADMINISTRATIVE EXPENSES - MODIFIED CASH BASIS  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 112,500	\$ 116,346
Postage and delivery	558	372
Computer services	65,770	20,623
Contributions	4,465	5,855
Depreciation expense	10,187	13,384
Dues and subscriptions	12,475	8,084
Health insurance-group	10,703	8,679
Liability insurance	3,229	2,753
Insurance-workman's comp	159	2
Officer's life insurance	7,912	7,912
Accounting and legal	27,478	15,884
Miscellaneous	1,353	1,746
Office expense	18,472	21,784
Office supplies	14,800	21,862
Outside labor	26,682	23,215
Pension expense	14,434	5,327
Printing and books expense	14,734	13,158
Rent	42,188	42,141
Repair and maintenance	-	614
Real estate taxes	574	91
Payroll taxes	8,509	9,185
Telephone	12,823	6,518
Meals	12,647	10,355
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 422,652</u>	<u>\$ 355,890</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors  
Family Works, Inc.  
Indianapolis, Indiana

We have audited the modified cash basis financial statements of Family Works, Inc., as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated September 29, 2017. We conducted our audits in accordance with generally accepted auditing standards in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Family Works, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements of Family Works, Inc., as of and for the years ended December 31, 2016 and 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Family Works, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Company's internal control. Accordingly we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Indianapolis, Indiana  
September 29, 2017

*Haywood Henn*

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FAMILY WORKS, INC.

Exit Conference

On September 29, 2017, an exit conference was conducted with the officers and other members of management of Family Works, Inc. They concurred with the audit results.