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April 11, 2018

Board of Directors
Chances and Services for Youth, Inc.
1101 S. 13th St.
Terre Haute, IN 47802

We have reviewed the report prepared by Chances and Services for Youth, Inc. and opined upon by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period October 1, 2015 to September 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Chances and Services for Youth, Inc. as of September 30, 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, CPA
State Examiner

**Chances and Services For
Youth, Inc**



**Financial Statements
For The Years Ended
September 30, 2016 and 2015
(With Single Audit Section)**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

CHANCES AND SERVICES FOR YOUTH, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chances and Services for Youth, Inc.
Terre Haute, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Chances and Services for Youth, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016 and 2015, and the related statements of activities, 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 and the standards applicable to financial audits contained *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 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 Chances and Services for Youth, Inc. as of September 30, 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 audit was conducted for the purpose of forming an opinion on the financial statements of Chances and Services for Youth, Inc. as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, 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 March 17, 2017, on our consideration of Chances and Services for Youth, 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 and 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* in considering Chances and Services for Youth, Inc.'s internal control over financial reporting and compliance.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

March 17, 2017

CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS

| | <u>2016</u> | <u>Restated 2015</u> |
|---|--------------|--------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 402,872 | \$ 387,723 |
| Certificates of deposit | 26,880 | 26,880 |
| Investments | 206,044 | - |
| Grants receivable | 515,783 | 354,571 |
| Other receivables | 16,364 | 260 |
| Total current assets | 1,167,943 | 769,434 |
| PROPERTY AND EQUIPMENT: | | |
| Property and equipment, net of accumulated depreciation | 127,041 | 147,137 |
| OTHER ASSETS | | |
| Beneficial interest in community foundation | 45,716 | 42,844 |
| Total assets | \$ 1,340,700 | \$ 959,415 |

LIABILITIES AND UNRESTRICTED NET ASSETS

| | | |
|---|--------------|------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 171,307 | \$ 162,716 |
| Accrued payroll and payroll expenses | 27,801 | 36,626 |
| Deferred revenue | 38,260 | - |
| Total liabilities | 237,368 | 199,342 |
| NET ASSETS | | |
| Unrestricted net assets | 881,872 | 760,073 |
| Temporarily restricted net assets | 221,460 | - |
| Total net assets | 1,103,332 | 760,073 |
| Total liabilities and unrestricted net assets | \$ 1,340,700 | \$ 959,415 |

See accompanying notes to financial statements.

CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2016 Total</u> |
|---|---------------------|-----------------------------------|-----------------------|
| SUPPORT | | | |
| United Way allocations | \$ 128,136 | \$ - | \$ 128,136 |
| Contributions | 79,963 | 221,460 | 301,423 |
| Special events and fundraising | 157,160 | - | 157,160 |
| Total support | <u>365,259</u> | <u>221,460</u> | <u>586,719</u> |
| REVENUE | | | |
| Federal grants and contracts | 2,809,679 | - | 2,809,679 |
| State and local grants | 70,879 | - | 70,879 |
| Memberships | 1,170 | - | 1,170 |
| Program service fees | 83,364 | - | 83,364 |
| Investment income | 10,286 | - | 10,286 |
| Inkind revenue | 150,600 | - | 150,600 |
| Other income | 55,814 | - | 55,814 |
| Total revenue | <u>3,181,792</u> | <u>-</u> | <u>3,181,792</u> |
| Total support and revenue | <u>3,547,051</u> | <u>221,460</u> | <u>3,768,511</u> |
| FUNCTIONAL EXPENSES: | | | |
| Child and Adult Care Food Program | 2,007,942 | - | 2,007,942 |
| Child Care Development Fund | 168,158 | - | 168,158 |
| Child Care Resource and Referral | 326,376 | - | 326,376 |
| Early Education | 19,505 | - | 19,505 |
| Big Brother Big Sisters of Vigo Co. | 129,822 | - | 129,822 |
| Tobacco Prevention and Cessation | 83,334 | - | 83,334 |
| Safe Kids | 52,895 | - | 52,895 |
| Teen Court | 48,107 | - | 48,107 |
| Communities that Care | 7,376 | - | 7,376 |
| Out of School | 109,300 | - | 109,300 |
| Total program services | 2,952,815 | - | 2,952,815 |
| Management and general | 463,963 | - | 463,963 |
| Fundraising | 8,474 | - | 8,474 |
| Total functional expenses | <u>3,425,252</u> | <u>-</u> | <u>3,425,252</u> |
| Increase in net assets | 121,799 | 221,460 | 343,259 |
| NET ASSETS, AT BEGINNING OF YEAR | <u>760,073</u> | <u>-</u> | <u>760,073</u> |
| NET ASSETS, AT END OF YEAR | <u>\$ 881,872</u> | <u>\$ 221,460</u> | <u>\$ 1,103,332</u> |

See accompanying notes to financial statements.

CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Restated | | 2015 |
|--|---------------------|-------------------------------|-------------|
| | Unrestricted | Temporarily Restricted | |
| SUPPORT | | | |
| United Way allocations | \$ 134,159 | \$ - | \$ 134,159 |
| Contributions | 92,599 | - | 92,599 |
| Special events and fundraising | 222,099 | - | 222,099 |
| Total support | 448,857 | - | 448,857 |
| REVENUE | | | |
| Federal grants and contracts | 2,565,710 | - | 2,565,710 |
| State and local grants | 89,416 | - | 89,416 |
| Memberships | 1,080 | - | 1,080 |
| Program service fees | 107,435 | - | 107,435 |
| Investment income | (3,760) | - | (3,760) |
| Inkind revenue | 150,600 | - | 150,600 |
| Other income | 29,762 | - | 29,762 |
| Total revenue | 2,940,243 | - | 2,940,243 |
| Total support and revenue | 3,389,100 | - | 3,389,100 |
| FUNCTIONAL EXPENSES: | | | |
| Child and Adult Care Food Program | 1,811,612 | - | 1,811,612 |
| Child Care Development Fund | 210,122 | - | 210,122 |
| Child Care Resource and Referral | 283,519 | - | 283,519 |
| Early Education | 17,672 | - | 17,672 |
| Big Brother Big Sisters of Vigo Co. | 157,276 | - | 157,276 |
| Tobacco Prevention and Cessation | 104,382 | - | 104,382 |
| Safe Kids | 51,125 | - | 51,125 |
| Teen Court | 43,716 | - | 43,716 |
| Communities that Care | 42,339 | - | 42,339 |
| Out of School | 120,820 | - | 120,820 |
| Total program services | 2,842,583 | - | 2,842,583 |
| Management and general | 451,882 | - | 451,882 |
| Fundraising | 45,806 | - | 45,806 |
| Total functional expenses | 3,340,271 | - | 3,340,271 |
| Increase in net assets | 48,829 | - | 48,829 |
| NET ASSETS, AT BEGINNING OF YEAR | 664,325 | - | 664,325 |
| Prior period adjustment | 46,919 | - | 46,919 |
| NET ASSETS, AT BEGINNING OF YEAR - AS RESATED | 711,244 | - | 711,244 |
| NET ASSETS, AT END OF YEAR | \$ 760,073 | \$ - | \$ 760,073 |

See accompanying notes to financial statements.

CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Child and Adult Care Food Program | Child Care Development Fund | Child Care Resource and Referral | Early Education | Big Brothers Big Sisters of Vigo Co. | Tobacco Prevention and Cessation |
|------------------------------------|--|-----------------------------------|--|--------------------|--|--|
| OPERATING EXPENSES | | | | | | |
| Salaries and wages | \$ 91,326 | \$ 84,761 | \$ 204,625 | \$ - | \$ 78,085 | \$ 48,867 |
| Employee benefits | 8,230 | 9,888 | 22,587 | - | 7,417 | 3,738 |
| Payroll taxes | 6,789 | 6,851 | 16,551 | - | 6,588 | 4,017 |
| Direct program service | 1,859,064 | - | - | - | 49 | - |
| Educational materials | 11 | - | 244 | 342 | - | - |
| Provider resources | 1,263 | 47 | 702 | 12,761 | - | 250 |
| Accounting | 429 | - | - | - | 3,287 | 1,373 |
| Technology | 9,581 | 1,622 | 1,454 | 13 | 2,842 | 1,342 |
| Telecommunications | 775 | 1,720 | 2,541 | - | 989 | 390 |
| Postage and supplies | 4,063 | 8,384 | 1,807 | 529 | 1,401 | 1,707 |
| Occupancy | 179 | 1,679 | - | - | 2,270 | 945 |
| Equipment leases and maintenance | 4,373 | 5,649 | 11,350 | - | 2,726 | 615 |
| Staff related expenses | 4,449 | 7,093 | 26,902 | 1,307 | 8,906 | 906 |
| Van expense | - | 325 | - | - | - | - |
| Other program expenses | - | - | - | 3,745 | 2,695 | 2,829 |
| Other administrative expenses | 632 | 19,792 | 372 | - | 297 | 4,998 |
| Depreciation and equipment expense | 540 | 129 | 130 | - | 328 | 640 |
| Fundraising expense | - | - | - | - | - | - |
| Inkind expense | 16,238 | 20,218 | 37,111 | 808 | 8,042 | 9,079 |
| Insurance | - | - | - | - | 3,900 | 1,638 |
| Total operating expenses | \$ 2,007,942 | \$ 168,158 | \$ 326,376 | \$ 19,505 | \$ 129,822 | \$ 83,334 |

See accompanying notes to financial statements.

| Safe Kids | Teen Court | Communities that Care | Out of School | Program Services | Management and General | Fundraising | 2016 Totals |
|------------------|------------------|-----------------------|-------------------|---------------------|------------------------|-----------------|---------------------|
| \$ 12,737 | \$ 30,100 | \$ - | \$ 47,931 | \$ 598,432 | \$ 243,871 | \$ - | \$ 842,303 |
| 209 | 470 | - | 4,007 | 56,546.00 | 14,528 | - | 71,074 |
| 1,003 | 2,365 | - | 4,025 | 48,189.00 | 19,110 | - | 67,299 |
| - | - | - | 15,898 | 1,875,011.00 | - | - | 1,875,011 |
| - | - | - | - | 597.00 | - | - | 597 |
| 22,607 | - | - | - | 37,630.00 | - | - | 37,630 |
| 510 | 1,137 | - | 2,190 | 8,926.00 | 14,192 | - | 23,118 |
| 470 | 930 | - | 1,890 | 20,144.00 | 11,866 | - | 32,010 |
| 155 | 557 | - | 454 | 7,581.00 | 824 | - | 8,405 |
| 312 | 792 | - | 706 | 19,701.00 | 7,547 | 53 | 27,301 |
| 376 | 721 | - | 1,655 | 7,825.00 | 16,773 | - | 24,598 |
| 341 | 1,615 | - | 6,222 | 32,891.00 | 26,011 | - | 58,902 |
| - | 4,625 | - | 1,182 | 55,370.00 | 3,146 | - | 58,516 |
| 18 | - | - | 1,858 | 2,201.00 | 10,569 | - | 12,770 |
| 13,295 | 209 | - | 13,352 | 36,125.00 | 6,000 | - | 42,125 |
| - | - | - | 268 | 26,359.00 | 5,225 | - | 31,584 |
| 54 | 518 | - | 220 | 2,559.00 | 23,384 | - | 25,943 |
| - | - | - | - | - | - | 8,421 | 8,421 |
| 180 | 2,843 | 7,376 | 4,512 | 106,407.00 | 44,192 | - | 150,599 |
| 628 | 1,225 | - | 2,930 | 10,321.00 | 16,725 | - | 27,046 |
| \$ 52,895 | \$ 48,107 | \$ 7,376 | \$ 109,300 | \$ 2,952,815 | \$ 463,963 | \$ 8,474 | \$ 3,425,252 |

CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Child and Adult Care Food Program | Child Care Development Fund | Child Care Resource and Referral | Early Education | Big Brothers Big Sisters of Vigo Co. | Tobacco Prevention and Cessation |
|------------------------------------|--|-----------------------------------|--|--------------------|--|--|
| OPERATING EXPENSES | | | | | | |
| Salaries and wages | \$ 99,236 | \$ 137,627 | \$ 173,114 | \$ 4,851 | \$ 90,780 | \$ 46,657 |
| Employee benefits | 9,819 | 15,940 | 19,928 | 143 | 9,740 | 3,790 |
| Payroll taxes | 7,710 | 11,535 | 14,122 | 385 | 7,862 | 3,877 |
| Direct program service | 1,653,227 | - | - | - | 751 | - |
| Educational materials | - | - | 477 | 207 | - | - |
| Provider resources | 383 | (24) | 778 | 8,648 | 600 | - |
| Accounting | 342 | 380 | - | 105 | 7,897 | 3,077 |
| Technology | 7,759 | 1,017 | 2,011 | 66 | 2,234 | 738 |
| Telecommunications | 912 | 1,816 | 2,176 | 3 | 1,126 | 382 |
| Postage and supplies | 4,980 | 7,702 | 1,406 | 667 | 1,669 | 2,663 |
| Occupancy | 365 | 2,270 | - | 31 | 1,512 | 558 |
| Equipment leases and maintenance | 4,599 | 5,306 | 8,724 | 11 | 3,142 | 509 |
| Staff related expenses | 5,899 | 5,639 | 23,685 | 838 | 10,097 | 1,864 |
| Van expense | - | - | - | - | - | - |
| Other administrative expenses | 143 | 344 | 163 | 220 | 3,506 | 29,436 |
| Depreciation and equipment expense | - | 352 | (176) | 629 | 444 | 144 |
| Fundraising expense | - | - | - | - | 3,622 | - |
| Inkind expense | 16,238 | 20,218 | 37,111 | 808 | 8,042 | 9,079 |
| Insurance | - | - | - | 60 | 4,252 | 1,608 |
| Total operating expenses | <u>\$ 1,811,612</u> | <u>\$ 210,122</u> | <u>\$ 283,519</u> | <u>\$ 17,672</u> | <u>\$ 157,276</u> | <u>\$ 104,382</u> |

See accompanying notes to financial statements.

| Safe Kids | Teen Court | Communities that Care | Out of School | Program Services | Management and General | Fundraising | 2015 Totals |
|------------------|------------------|-----------------------|-------------------|---------------------|------------------------|------------------|---------------------|
| \$ 11,585 | \$ 23,897 | \$ 19,901 | \$ 58,817 | \$ 666,465 | \$ 210,870 | \$ - | \$ 877,335 |
| 227 | 476 | 254 | 2,439 | 62,756 | 12,902 | - | 75,658 |
| 926 | 1,914 | 1,517 | 4,847 | 54,695 | 16,584 | - | 71,279 |
| - | - | - | 16,440 | 1,670,418 | - | - | 1,670,418 |
| - | - | - | - | 684 | - | - | 684 |
| 22,593 | - | 54 | 245 | 33,277 | 181 | - | 33,458 |
| 947 | 2,000 | 468 | 6,872 | 22,088 | 30,820 | - | 52,908 |
| 269 | 488 | 153 | 1,699 | 16,434 | 8,689 | - | 25,123 |
| 149 | 540 | 15 | 228 | 7,347 | 848 | - | 8,195 |
| 434 | 606 | 2,272 | 1,018 | 23,417 | 10,084 | - | 33,501 |
| 215 | 374 | 124 | 1,245 | 6,694 | 19,620 | - | 26,314 |
| 303 | 969 | 75 | 2,375 | 26,013 | 3,803 | - | 29,816 |
| 95 | 5,546 | 1,396 | 4,074 | 59,133 | 3,071 | - | 62,204 |
| 81 | 14 | - | 715 | 810 | 11,562 | - | 12,372 |
| 12,561 | 2,980 | 6,545 | 10,258 | 66,156 | 15,647 | 340 | 82,143 |
| 52 | 80 | 1,883 | 783 | 4,191 | 42,498 | - | 46,689 |
| - | - | - | - | 3,622 | 2,072 | 45,466 | 51,160 |
| 180 | 2,843 | 7,376 | 4,512 | 106,407 | 44,192 | - | 150,599 |
| 508 | 989 | 306 | 4,253 | 11,976 | 18,439 | - | 30,415 |
| <u>\$ 51,125</u> | <u>\$ 43,716</u> | <u>\$ 42,339</u> | <u>\$ 120,820</u> | <u>\$ 2,842,583</u> | <u>\$ 451,882</u> | <u>\$ 45,806</u> | <u>\$ 3,340,271</u> |

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CHANCES AND SERVICES FOR YOUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | <u>2016</u> | <u>Restated</u> <u>2015</u> |
|--|-------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ 343,259 | \$ 48,829 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used in) by operating activities: | | |
| Depreciation | 20,096 | 22,047 |
| Realized and unrealized (gain) loss on investments | (5,897) | - |
| Change in beneficial interest | (2,873) | 4,075 |
| Increase (decrease) in cash from changes in: | | |
| Grants receivable | (161,212) | 19,595 |
| Accounts receivable | (16,104) | 8,360 |
| Accounts payable | 8,591 | (78,086) |
| Accrued payroll and payroll expenses | (8,825) | (6,542) |
| Deferred revenue | 38,260 | - |
| | 215,295 | 18,278 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | - | (20,999) |
| Purchase of investments | (200,146) | (123) |
| | (200,146) | (21,122) |
| NET INCREASE (DECREASE) IN CASH | 15,149 | (2,844) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 387,723 | 390,567 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 402,872 | \$ 387,723 |

See accompanying notes to financial statements.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

NATURE OF OPERATIONS

In April 2013, Community Alliance and Services for Young Children, Inc. and CHANCES for Indiana Youth, Inc. merged to form one organization called Chances And Services for Youth, Inc. (CASY).

Community Alliance and Services for Young Children, Inc. (originally 4-C) began in 1971 to promote quality child care services for pre-school children and their families throughout the Wabash Valley. Services offered to local child care providers included training workshops and learning activities in early childhood to increase the competence of preschool teachers and providers. In 1978, the organization received funding for the establishment of child care resource and referral service. In the early 1990s, the agency expanded to include funding through the Child Care Development Fund Voucher program and Child And Adult Care Food Program.

In the mid-1980s CHANCES for Indiana Youth, Inc. (CHANCES) was established to provide substance abuse prevention, positive youth development and early-intervention services through the collaborative efforts of local youth serving organizations and governmental agencies. CHANCES began as a grassroots effort to combat the growing alcohol and drug problems facing Vigo County youth. In addition, youth programs were added such as Teen Court, Tobacco Prevention Cessation Coalition and Safe Kids. In 2008, CHANCES led a collaborative group of non-profits to be selected to lease and provide programming at the Booker T. Washington Community Center. In 2011, CHANCES became the affiliate for Big Brothers Big Sisters of Vigo County.

By providing services and investing in the local community, Chances And Services for Youth, Inc. has a unique opportunity to identify and respond to the needs of clients, partnering organizations and the communities served. For the past thirty years, two separate organizations have been at the forefront of community collaboration. With the completion of the merger, CASY now collaborates and networks with local, state, and national non-profit organizations, businesses, and governmental/law enforcement agencies to provide cost effective programs for infants through college age children and their families.

BASIS OF ACCOUNTING

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

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as funds are received.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

REVENUE RECOGNITION (continued)

Revenue earned under cost-reimbursement awards from governmental agencies 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.

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

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.

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 that require 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.

USE OF ESTIMATES

The preparation of financial statements 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.

FINANCIAL STATEMENT PRESENTATION

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.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

FINANCIAL STATEMENT PRESENTATION (continued)

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. Pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors is also included in temporarily restricted net assets.

Permanently restricted net assets represent contributions and other inflows of assets whose use by the 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.

As of September 30, 2016 and 2015, the Organization did not have temporarily restricted or permanently restricted net assets.

CONCENTRATION OF CREDIT RISK

The Organization's cash on deposit and certificates of deposits are held with one financial institution having branches in the local area. The accounts are insured by the FDIC for up to \$250,000 for the years ended September 30, 2016 and 2015. The Organization maintained balances in one bank at which the uninsured amount was \$180,663 and \$194,792 at September 30, 2016 and 2015.

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.

GRANTS RECEIVABLE

The grants receivable represent amounts receivable for the claims filed under cost reimbursement awards and contracts awaiting payment. Grants receivables are due from government sources and therefore no allowance for uncollectible accounts is considered necessary.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

INVESTMENTS

Investments are recorded at their fair value as determined under the Fair Value Measurement Topic of the FASB Accounting Standards Codification. Gains and losses on investments are classified as increases/decreases in unrestricted net assets, unless the use of the assets received is limited by donor-imposed stipulations, or by law. Therefore, when donor restrictions exist, such gains and losses are reported as temporarily or permanently restricted net assets.

PROPERTY AND EQUIPMENT

Subsequent to September 30, 2014, 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 three to ten years. The following is a summary of the lives for each class of asset:

| | |
|-------------------------|-------------|
| Buildings | 40 years |
| Leasehold improvements | 10 years |
| Vehicles | 7 years |
| Computers and equipment | 5 - 7 years |
| Furniture | 7 years |
| Software | 3 years |

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as funds are received. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as refundable advances on the statements of financial position.

EXPENSE ALLOCATION

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

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB Accounting Standards Codification topic “*Fair Value Measurement*” defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes 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.

The Organization has categorized its assets and liabilities that are measured at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

Level 1: Quoted prices 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.

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.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy

The fair value for exchange-traded and mutual funds have been established by published trading values for each fund. (Level 1)

The fair value of the endowment fund held by Wabash Valley Community Foundation is based on the Organization’s proportionate share of the foundations’ pooled investment portfolios. Chances and Services for Youth, Inc. do not have the ability to redeem the funds on a short-term basis. Withdrawals are limited to the terms of the agreement with the foundation. (Level 2)

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and 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).

Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense; however, there is no interest or penalties recognized in the statements of activities. The tax years after September 30, 2013 are still open to audit for both federal and state purposes.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 17, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

The Organization's grant receivables as of September 30, 2016 and 2015, consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|----------------|-------------------|-------------------|
| CACFP | \$ 179,154 | \$ 158,404 |
| CCDF | 59,604 | 38,940 |
| CTC | - | 15,358 |
| Safe Kids | 1,803 | 500 |
| ELI | 139,000 | - |
| Teen Court | 5,046 | 12,015 |
| Tobacco - Vigo | 15,352 | 14,220 |
| R&R | <u>115,824</u> | <u>115,134</u> |
| | <u>\$ 515,783</u> | <u>\$ 354,571</u> |

NOTE 3 – INVESTMENTS

The Organization purchased investments in 2016. As of September 30, 2016, investments consisted of the following:

| | <u>2016</u> |
|------------------------|-------------------|
| Exchange -traded funds | \$ 8,038 |
| Mutual funds | 196,090 |
| Cash | <u>1,916</u> |
| | <u>\$ 206,044</u> |

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 3 – INVESTMENTS (continued)

Investment return is as follows for the year ended September 30, 2016:

| | <u>2016</u> |
|------------------------|------------------|
| Dividends | \$ 13,322 |
| Realized gain (loss) | 166 |
| Unrealized gain (loss) | 5,731 |
| Fees | <u>(1,185)</u> |
| | <u>\$ 18,034</u> |

NOTE 4 – PROPERTY AND EQUIPMENT

The Organization’s property and equipment are as follows at September 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-------------------|-------------------|
| Land | \$ 1,000 | \$ 1,000 |
| Building | 217,595 | 217,595 |
| Leasehold improvements | 24,164 | 24,164 |
| Vehicles | 61,189 | 61,189 |
| Computers and equipment | 103,648 | 103,648 |
| Furniture | 13,196 | 13,196 |
| Software | <u>11,794</u> | <u>11,794</u> |
| | 432,586 | 432,586 |
| Accumulated depreciation | <u>(305,545)</u> | <u>(285,449)</u> |
| | <u>\$ 127,041</u> | <u>\$ 147,137</u> |

Depreciation expense was \$20,096 and \$22,047 for the years ended September 30, 2016 and 2015.

NOTE 5 – BENEFICIAL INTEREST IN FOUNDATION

The Organization created a fund in 1999 held by the Wabash Valley Community Foundation. The Organization’s cumulative contributions are \$47,571. As of September 30, 2016 and 2015, the earnings/losses net of investment expenses, distributions and grants paid were \$2,872 and \$(4,075) respectively. The fair value of the beneficial interest as of September 30, 2016 and 2015 was \$45,716 and \$42,844, respectively.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 6 – CONCENTRATIONS

Excluding interest income and other income, approximately 79% and 80% of the Organization's support and revenue for the years ended September 30, 2016 and 2015, was provided by federal grants.

NOTE 7 - IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by the same amount.

Beginning on April 8, 2008, Indiana Communities for Drug-Free Youth, Inc. (CHANCES) entered into a one year non-cancelable real estate lease with the Terre Haute City Parks and Recreation Board to use a multi-purpose community center commonly known as the Booker T. Washington Park Community Center. In exchange for a dollar on commencement of the lease, a monthly utility reimbursement of \$500 and the maintenance of minimum liability insurance coverage as outlined in the agreement, CHANCES had a facility to provide programming consistent with its mission provided that said programming is not denied to any member of the general community on the basis of race, religion, sex, age, national origin or hardship, special needs or living situation. The lease included an option to renew the lease annually, or prior to the expiration of the initial term, a longer lease term can be negotiated if both parties so desire.

The Organization has recorded in-kind contributions for the fair market value rent for the Booker T. Washington Park Community Center building. The resulting in-kind contribution is approximately \$150,600 and \$150,600 for the years ended September 30, 2016 and 2015, respectively, and is reflected as in-kind revenue and in-kind expense in the statement of activities.

NOTE 8 – OPERATING LEASES

The Organization leases office space. The lease expires in March 2018. Monthly payments are \$1,550, which includes utilities. Rental expense for the location, included in the statement of activities for the years ended September 30, 2016 and 2015, was approximately \$18,600 each year.

The Organization also paid rent for Owen and Monroe County office space which was approximately \$1,500 for the years ended September 30, 2016 and 2015.

In addition, the Organization has an operating lease for two office copiers which expires September 2020. The monthly lease payment is \$2,185 per month. Rental expense for this lease included in the statements of activities for the years ended September 30, 2016 and 2015 was approximately \$26,500 each year.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 8 – OPERATING LEASES (continued)

The Organization also leases a mailing machine under an operating lease arrangement which expires in March 2017. The monthly lease amount is \$96. Rental expense for this lease included in the statements of activities for the years ended September 30, 2016 and 2015 was approximately \$1,150 each year.

Future minimum lease payments on leases having non-cancelable terms beyond September 30, 2016 are as follows:

| | |
|------------|-------------------|
| 2017 | \$ 45,399 |
| 2018 | 35,522 |
| 2019 | 26,222 |
| 2020 | 26,222 |
| 2021 | - |
| Thereafter | <u>-</u> |
| | <u>\$ 133,365</u> |

NOTE 9 – EMPLOYEE BENEFITS

The Organization has a cafeteria plan and makes contributions of \$115 per month for each employee eligible to participate in the plan. Eligible employees may, however, elect to receive a taxable cash benefit in lieu of a contribution to the plan. Contributions to the plan are made for all employees working 37.5 hours or more per week and with at least 90 days of service. Each participant may elect to have the amount of the benefit applied to a group medical insurance plan, group dental plan, or 403b employer sponsored pension plan. Employee benefit expense under the cafeteria plan was approximately \$34,925 and \$25,764 for the years ended September 30, 2016 and 2015, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

One on the Organization's Board members is a child care provider and receives monthly reimbursements from the Child and Adult Care Food Program. The reimbursements were approximately \$24,274 and \$21,500 for the years ended September 30, 2016 and 2015, respectively.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS

In 1999, an endowment fund was established through the Wabash Valley Community Foundation by CHANCES for Indiana Youth naming itself as beneficiary of the fund. The fund is reported at fair value with a balance of \$45,716 and \$42,844 for the years ended September 30, 2016 and 2015. The year-end values are determined by the Foundation based on market values of the underlying investments. The endowment fund balance consists of funds transferred to the Foundation and the related changes in the market value. Annually, Chances and Services for Youth, Inc. receives a distribution of a percentage of the average fund balance in the fund.

For the years ended September 30, 2016 and 2015, the Organization had the following changes in endowment net assets:

| | Unrestricted | |
|-------------------|--------------|-----------|
| | 2016 | 2015 |
| Beginning of year | \$ 42,844 | \$ 46,919 |
| Contributions | - | - |
| Net earnings | 3,781 | (3,200) |
| Distributions | (909) | (875) |
| End of year | \$ 45,716 | \$ 42,844 |

The Board of Directors of the Organization had interpreted UPMIFA as requiring the administration of endowment funds pursuant to its gift instruments and Wabash Valley Community Foundation’s policies.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets are \$-0- as of September 30, 2016 and 2015.

Return Objectives and Risk Parameters

The Organization has adopted spending and investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor or legally-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board designated assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that ensure the future growth of the assets is sufficient to exceed the rate of inflation and provide for distribution of earnings, net of fees. All investment decisions have been delegated to the Wabash Valley Community for the respective funds.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS – (continued)

Investment Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Organization's portfolio offers pooled investments that are diversified among asset classes and investment styles as offered by the Wabash Valley Community Foundation, thus minimizing the risk of large losses over a defined investment horizon.

Spending Policy

The spending rate for distributable earnings will be set by the Wabash Valley Community Foundation each year. The foundation acts prudently and responsibly when deciding on a distribution that will allow for growth in the endowment fund over the course of time. The Chances and Services for Youth, Inc. Board of Directors oversees the funds' assets held by the foundation, taking into account the purposes, terms and distribution requirements expressed by the governing instruments. The Board of Directors will exercise reasonable care, skill and caution in order to ensure preservation of all funds.

NOTE 12 - RESTATEMENT

Unrestricted net assets for the year beginning October 1, 2014 have been restated to reflect the fair value of agency endowment funds held with a community foundation of \$46,919. For the year ended September 30, 2015, the beneficial interest in community foundation was restated to \$42,844 on the statement of financial position and investment income was reduced by \$4,075 on the statement of activities.

SINGLE AUDIT SECTION

**CHANCES AND SERVICES FOR YOUTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| FEDERAL GRANTOR AGENCY | Federal | Grant or | |
|---|----------------|--------------------|----------------------------|
| Passthrough Agency | CFDA | Identifying | Federal |
| Program Title | Number | Number | Expenditures |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the Indiana Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | 1840200 | <u>\$ 2,059,952</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through the Indiana Department of Health: | | | |
| Assistance Programs for Chronic Disease | | | |
| Prevention and Control | 93.945 | 14564 | 13,000 |
| Passed through the Indiana Association of Child | | | |
| Care Resource and Referral (IACCRR): | | | |
| Resource and Referral Program | 93.575 | F1-6-84-14-87-0612 | <u>468,931</u> |
| Total U.S Department of Health and Human Services | | | <u>481,931</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,541,883</u></u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

CHANCES AND SERVICES FOR YOUTH, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chances and Services for Youth, 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 of Expenditures of Federal Awards 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 – Indirect Cost Rate

Chances and Services for Youth, Inc. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CHANCES AND SERVICES FOR YOUTH, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2016**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended September 30, 2015.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended September 30, 2015.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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
Chances and Services for Youth, 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 Chances and Services for Youth, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon March 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chances and Services for Youth, 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 Chances and Services for Youth, 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 Chances and Services for Youth, 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

March 17, 2017



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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

To the Board of Directors
Chances and Services for Youth, Inc.

Report on Compliance for Each Major Federal Program

We have audited Chances and Services for Youth, 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 Chances and Services for Youth, Inc.'s major federal programs for the year ended September 30, 2016. Chances and Services for Youth, 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 Chances and Services for Youth, 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 Chances and Services for Youth, 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 Chances and Services for Youth, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Chances and Services for Youth, 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 September 30, 2016.

Report on Internal Control over Compliance

Management of Chances and Services for Youth, 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 Chances and Services for Youth, 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 *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 Chances and Services for Youth, 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 *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
March 17, 2017

**CHANCES AND SERVICES FOR YOUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 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

Program tested as major program:

CFDA Number
10.558

Name of Federal Program or Cluster
U.S. Department of Agriculture, Child and Adult Care
Food Program

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

Auditee qualified as low-risk auditee? Yes No

**CHANCES AND SERVICES FOR YOUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended September 30, 2016.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended September 30, 2016.