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April 11, 2018


Board of Directors
Family & Children's Center Counseling and Development Services, Inc.
315 West Jefferson Boulevard
South Bend, IN 46601

We have reviewed the report prepared by Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development 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 finding in the report on pages 19 and 20. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT 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
Statements of cash flows	6
Notes to financial statements.....	7-12
SUPPORTING SCHEDULE	
Schedule of expenditures of federal awards.....	13
Notes to schedule of expenditures of federal awards	14
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>	15-16
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	17-18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19-20
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	21



CULLAR & ASSOCIATES, PC

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

To the Board of Directors
Family & Children's Center Counseling and Development Services, Inc.
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Family & Children's Center Counseling and Development Services, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Center Counseling and Development Services, Inc. as of December 31, 2015 and 2014, 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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development Services, Inc.'s internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
September 8, 2016

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 107,691	\$ 20,640
Grants and fees receivable	160,262	318,003
Due from affiliates	<u>101,106</u>	<u>93,400</u>
<i>Total assets</i>	<u>\$ 369,059</u>	<u>\$ 432,043</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 79,205	\$ 105,604
Due to affiliates	<u>225,350</u>	<u>300,264</u>
<i>Total liabilities</i>	<u>304,555</u>	<u>405,868</u>
Net Assets:		
Unrestricted	42,004	26,175
Temporarily restricted	<u>22,500</u>	<u>-</u>
<i>Total net assets</i>	<u>64,504</u>	<u>26,175</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 369,059</u>	 <u>\$ 432,043</u>

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015			2014		
Revenues and Support:						
Grants:						
Healthy Families	\$ 1,514,812	\$ -	\$ 1,514,812	\$ 1,521,164	\$ -	\$ 1,521,164
Brain Train	48,005	-	48,005	101,679	-	101,679
United Way of St. Joseph County	16,406	12,500	28,906	4,580	-	4,580
From affiliates	74,420	-	74,420	148,172	-	148,172
Other	103,496	10,000	113,496	2,000	-	2,000
Program service fees	-	-	-	12,775	-	12,775
Private contributions	12,311	-	12,311	27,147	-	27,147
Special events	51,452	-	51,452	50,210	-	50,210
Contributed services from affiliate	45,850	-	45,850	-	-	-
Other	357	-	357	414	-	414
<i>Total revenues and support</i>	<u>1,867,109</u>	<u>22,500</u>	<u>1,889,609</u>	<u>1,868,141</u>	<u>-</u>	<u>1,868,141</u>
Expenses:						
Healthy Families	1,423,984	-	1,423,984	1,481,115	-	1,481,115
Brain Train	55,693	-	55,693	76,971	-	76,971
St. Joseph County System of Care	78,207	-	78,207	-	-	-
<i>Total program service expenses</i>	<u>1,557,884</u>	<u>-</u>	<u>1,557,884</u>	<u>1,558,086</u>	<u>-</u>	<u>1,558,086</u>
Management and general	231,691	-	231,691	241,330	-	241,330
Fund raising	58,630	-	58,630	66,250	-	66,250
Unallocated dues to national affiliates	3,075	-	3,075	2,475	-	2,475
<i>Total expenses</i>	<u>1,851,280</u>	<u>-</u>	<u>1,851,280</u>	<u>1,868,141</u>	<u>-</u>	<u>1,868,141</u>
Change in net assets	15,829	22,500	38,329	-	-	-
Net assets, beginning of year	<u>26,175</u>	<u>-</u>	<u>26,175</u>	<u>26,175</u>	<u>-</u>	<u>26,175</u>
<i>Net assets, end of year</i>	<u>\$ 42,004</u>	<u>\$ 22,500</u>	<u>\$ 64,504</u>	<u>\$ 26,175</u>	<u>\$ -</u>	<u>\$ 26,175</u>

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

	2015						2014				
	Healthy Families	Brain Train	St. Joseph County System of Care	Management and General	Fund Raising	Totals	Healthy Families	Brain Train	Management and General	Fund Raising	Totals
Salaries	\$ 895,252	\$ 27,133	\$ -	\$ -	\$ -	\$ 922,385	\$ 960,989	\$ 45,189	\$ -	\$ -	\$ 1,006,178
Payroll taxes	84,378	3,177	-	-	-	87,555	88,545	5,014	-	-	93,559
Retirement	19,797	848	-	-	-	20,645	22,582	1,003	-	-	23,585
Insurance	139,564	531	-	-	-	140,095	152,503	964	-	-	153,467
<i>Total personnel</i>	<u>1,138,991</u>	<u>31,689</u>	-	-	-	<u>1,170,680</u>	<u>1,224,619</u>	<u>52,170</u>	-	-	<u>1,276,789</u>
Purchase of services from affiliate	-	10,285	-	231,288	-	241,573	-	11,664	228,956	43,512	284,132
Contributed services from affiliate	-	-	-	-	45,850	45,850	-	-	-	-	-
Rent to affiliates	189,718	11,664	-	-	-	201,382	161,559	11,664	12,374	4,950	190,547
Program supplies	19,395	10	-	-	-	19,405	7,774	253	-	-	8,027
Medical expenses	1,173	222	-	-	-	1,395	2,727	116	-	-	2,843
Recruiting	1,117	147	-	-	-	1,264	1,497	15	-	-	1,512
Food	2,472	-	-	307	-	2,779	2,108	43	-	-	2,151
Telephone	11,295	376	-	-	-	11,671	13,645	575	-	-	14,220
Staff development	7,603	130	-	-	-	7,733	9,227	45	-	-	9,272
Postage	2,793	8	-	-	-	2,801	2,162	-	-	-	2,162
Office supplies	7,818	368	-	-	-	8,186	9,085	73	-	-	9,158
Travel	36,394	-	-	-	-	36,394	36,653	5	-	-	36,658
Special events	-	-	-	-	12,780	12,780	-	-	-	17,788	17,788
Professional fees	3,993	63	78,207	-	-	82,263	8,785	338	-	-	9,123
Other	1,222	731	-	96	-	2,049	1,274	10	-	-	1,284
<i>Totals</i>	<u>\$ 1,423,984</u>	<u>\$ 55,693</u>	<u>\$ 78,207</u>	<u>\$ 231,691</u>	<u>\$ 58,630</u>	<u>\$ 1,848,205</u>	<u>\$ 1,481,115</u>	<u>\$ 76,971</u>	<u>\$ 241,330</u>	<u>\$ 66,250</u>	<u>\$ 1,865,666</u>

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT 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	\$ 38,329	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Grants and fees receivable	157,741	7,363
Accounts payable and accrued liabilities	<u>(26,399)</u>	<u>6,510</u>
<i>Net cash provided by operating activities</i>	<u>169,671</u>	<u>13,873</u>
Cash Flows from Financing Activities:		
(Increase) decrease in due from affiliates	(7,706)	37,009
(Decrease) in due to affiliates	<u>(74,914)</u>	<u>(45,687)</u>
<i>Net cash (used in) financing activities</i>	<u>(82,620)</u>	<u>(8,678)</u>
Net change in cash and cash equivalents	87,051	5,195
Cash and cash equivalents, beginning of year	<u>20,640</u>	<u>15,445</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 107,691</u>	<u>\$ 20,640</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.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Family & Children's Center Counseling and Development Services, Inc. (the "Organization") is an Indiana nonprofit corporation providing programs that empower individuals and families by promoting human growth and dignity and preventing abuse through advocacy, education, counseling, and supportive services in Northern Indiana. Its operations are supported primarily by governmental grants and contracts, grants from related parties, and special events.

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 allocations of costs among functions, which are based on time and facility usage studies and other cost allocation methods.

Method of presentation:

As discussed further in Note 2, the Organization is controlled by and related to Family and Children's Center, Inc. These financial statements present the financial position, results from operations, and cash flows of the Organization and do not include the accounts of Family and Children's Center, Inc. or its other affiliates.

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

assets, depending upon whether there are donor restrictions on investment return. Historically, the Organization has not received permanently restricted net assets.

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.

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. At December 31, 2015, the Organization had received approximately \$1,819,000 of conditional promises to give under fee-for-service awards. Such promises will be recognized as revenue if and when eligible services are provided.

The Organization provides an allowance for doubtful grants and fees 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 uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not charge interest on its contributions and grants and 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.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Beneficial interests in assets held by others:

The Organization recognizes its beneficial interests in assets held by others unless the donor has granted the recipient organization variance power.

Advertising costs:

Advertising costs are expensed when incurred. There was no advertising expense in either 2015 or 2014.

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).

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.

Adoption of new accounting standard:

In 2015, the Organization adopted the provisions of Accounting Standards Update 2013-06, *Not-for-Profit Entities (Topic 847): Services Received from Personnel of an Affiliate*, which was effective for fiscal years beginning after June 15, 2014. The new standard requires not-for-profit entities to recognize the cost or value of personnel services received from an affiliate that directly benefit the entity and for which the affiliate does not charge the entity.

In 2015, the Organization received personnel services for marketing and fund raising from Family and Children's Center, Inc., an affiliate, without charge for which the direct costs of the personnel and related fringe benefits were \$45,850. Consequently, this amount is recognized as both revenue and expense in the accompanying 2015 financial statements. In 2014, the Organization paid Family and Children's Center, Inc. for such services and so no restatement of the 2014 financial statements is necessary.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2. RELATED PARTY INFORMATION

The Organization is related through common control, management, and purpose to the following nonprofit organizations (collectively, the "Affiliates"):

- *Boys and Girls Club of St. Joseph County, Inc.*, which provides programs that enable young people to reach their full potential as productive, caring, and responsible adults.
- *Family and Children's Center, Inc.*, which provides leadership and mission support services to the Affiliates.
- *Family and Children's Center Foundation, Inc.*, which provides financial support to the Affiliates.

Family and Children's Center, Inc. controls the Affiliates through direct and indirect voting control of the Boards of Directors. In the case of the Organization, all members of its Board must be approved by the Family and Children's Center, Inc. Board, and up to one-half of its Board members may be appointed by the Family and Children's Center, Inc. Board. In addition, the Family and Children's Center's Board of Directors must include at least one member from each Affiliate's Board of Directors, and the number of members of that Board who are not members of Affiliates' Boards cannot exceed one-half of the number of members who are members of Affiliates' Boards.

At December 3, 2015 and 2014, the Organization was owed \$101,106 and \$93,400, respectively, from Affiliates and owed \$225,350 and \$300,264, respectively, to Affiliates, which are reported as such in the statements of financial position. The Organization received grants of \$74,420 and \$148,172 from Family and Children's Center Foundation, Inc. for the years ended December 31, 2015 and 2014, respectively. For the year ending December 31, 2015 the Organization incurred costs of \$287,423 for administrative and fund raising expenses provided by Family and Children's Center, Inc., of which, \$45,850 represents noncash contributions of fundraising personnel (See Note 1). For the year ending December 31, 2014, the Organization incurred costs of \$284,132 for administrative and fund raising expenses provided by Family and Children's Center, Inc. For the years ending December 31, 2015 and 2014 the Organization incurred \$201,382 and \$190,547, respectively, in rent to Family and Children's Center, Inc.

NOTE 3. NET ASSETS INFORMATION

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2015:

For next year – United Way	\$ 12,500
For Read Baby Read program	<u>10,000</u>
<i>Total temporarily restricted net assets</i>	<u><u>\$ 22,500</u></u>

NOTE 4. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of an endowment fund held by Community Foundation of St. Joseph County, Inc. (the "Foundation") that was created by other donors. The Organization does not recognize this fund as an asset because it was established by other donors who granted

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

variance power to the Foundation. The Organization periodically receives distributions in the form of grants from this fund. The total value of the fund at December 31, 2015 and 2014 was \$32,836 and \$34,257, respectively. The Organization received \$1,664 and \$1,594 in distributions from this fund for the years ended December 31, 2015 and 2014, respectively, which is included in private contributions revenue in the accompanying statements of activities.

NOTE 5. DEBT GUARANTEES

The Organization and the other Affiliates guarantee a \$1,100,000 bank line of credit, with balance of \$218,621 and \$648,623 at December 31, 2015 and 2014, respectively. The Organization, along with other Affiliates, also guaranteed long-term bank debt held by Family and Children's Center, Inc. with an outstanding balance of \$1,800,000 at December 31, 2014, which was paid in full in May 2015. No liability has been recorded for either guarantee because management does not believe it is probable that the Organization will have to fulfill the guarantees.

NOTE 6. LEASE INFORMATION

The Organization leases its facilities from Family and Children's Center, Inc. under an annual lease. Total rent expense was \$201,382 and \$190,547 for the years ended December 31, 2015 and 2014, respectively.

NOTE 7. RETIREMENT PLAN

The Organization maintains a defined-contribution retirement pension plan under Internal Revenue Code Section 401(k) covering substantially all of its full-time employees. Employer contributions are based on 3% of eligible compensation. Retirement expense was \$20,645 and \$23,585 for the years ended December 31, 2015 and 2014, respectively.

NOTE 8. CONCENTRATIONS

All of the programs and activities of the Organization and the Affiliates occur in St. Joseph County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the years ended December 31, 2015 and 2014, approximately 80% and 81%, respectively, of total revenues were earned from the Indiana Department of Child Services under two grants.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, grants and fees receivable, and amounts due from Affiliates. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. At December 31, 2015 the Organization had no deposits with financial institutions that exceeded the federal deposit insurance coverage. At December 31, 2015 and 2014, approximately 83% and 98%, respectively, of grants and fees were due from the Indiana Department of Child Services.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 9. 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 September 8, 2016, the date on which the financial statements were available to be issued.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program <u>or Cluster Title</u>	Federal CFDA <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Total Federal <u>Expenditures</u>	Expenditures to <u>Subrecipients</u>
<i>U. S. Department of Health and Human Services:</i>				
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	\$ 582,412	\$ -
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	A93-3-13-HF-MO-1113	<u>932,400</u>	<u>-</u>
<i>Total federal assistance</i>			<u>\$ 1,514,812</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT 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 Family & Children's Center Counseling and Development 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* ("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 minimus indirect cost rate allowed under the Uniform Guidance.



CULLAR & ASSOCIATES, PC

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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
Family & Children's Center Counseling and Development Services, Inc.
South Bend, 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 financial statements of Family & Children's Center Counseling and Development 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 September 8, 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 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 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*.

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
September 8, 2016



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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
Family & Children's Center Counseling and Development Services, Inc.
South Bend, Indiana

Report on Compliance for Each Major Federal Program

We have audited Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development Services, Inc.'s major federal programs for the year ended December 31, 2015. Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development 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; 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* (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 Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development 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 Family & Children's Center Counseling and Development Services, Inc. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2015-001, that we consider to be a significant deficiency.

Family & Children's Center Counseling and Development Services, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. That response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
September 8, 2016

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section I - Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Family & Children's Center Counseling and Development Services, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. There were no significant deficiencies or material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements.
3. There were no instances of noncompliance that are material to the financial statements disclosed by the audit of the financial statements.
4. There was one significant deficiency in internal control over major federal programs disclosed by the audit, which is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. There were no material weaknesses in internal control over major federal programs disclosed by the audit.
5. The auditor's report on compliance for the major federal programs for Family & Children's Center Counseling and Development Services, Inc. expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was the TANF Cluster - Temporary Assistance for Needy Families, CFDA Number 93.558.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Family & Children's Center Counseling and Development Services, Inc. was determined to not be a low-risk auditee.

Section II - Financial Statement Findings

There were no findings in the financial statement audit.

Section III - Federal Award Findings and Questioned Costs

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PASSED-THROUGH INDIANA DEPARTMENT OF CHILD SERVICES
TANF CLUSTER: TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA NUMBER 93.558
AWARD NUMBER A93-3-13-HF-MO-1113**

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

SIGNIFICANT DEFICIENCY

FINDING 2015-001

Condition: The Organization does not have a central point for grants management and compliance. Specifically, there is no central point for the collection of grant agreements, compliance reviews, grantor communications, or grant compliance. There is no individual who is completely familiar with compliance requirements that pertain to federal awards the Organization receives.

Criteria: Internal controls should be in place to assure compliance with grant requirements.

Cause: A reduction in staffing over the last few years resulted in the elimination of administrative positions that might have performed these functions.

Effect: Grant documents, program monitoring reviews and grantor communications are scattered throughout the Organization and its affiliates, increasing the possibility of noncompliance with grant requirements. In addition, while management appears to have an adequate understanding of the specific programmatic requirements that pertain to its awards, they are not familiar with all administrative compliance requirements in the Uniform Grant Guidance.

Context: The size of the Organization's administrative structure was significantly reduced over the last few years because of funding reductions for affiliated entities, reducing the number of administrative employees.

Recommendations: We recommend that one employee of the administrative affiliate be responsible for the collection of all grants agreements, compliance reviews, and grantor communications. This individual should be familiar, and responsible for monitoring compliance, with federal and state administrative requirements.

Questioned Costs: None.

Views of Responsible Officials and Planned and Corrective Action: Management is deliberating who this central grants management person will be without having to add a staff position to the payroll.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2015

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PASSED-THROUGH INDIANA DEPARTMENT OF CHILD SERVICES
TANF CLUSTER: TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA NUMBER 93.558
AWARD NUMBER A93-3-13-HF-MO-1113

SIGNIFICANT DEFICIENCY

FINDING 2014-002

Condition: The Organization does not have a central point for grants management and compliance. Specifically, there is no central point for the collection of grant agreements, compliance reviews, grantor communications, or grant compliance. There is no individual who is completely familiar with compliance requirements that pertain to federal awards the Organization receives.

Recommendations: We recommended that one employee of the administrative affiliate be responsible for the collection of all grants agreements, compliance reviews, and grantor communications. This individual should be familiar, and responsible for monitoring compliance, with federal and state administrative requirements.

Current status: No change. This is a repeat finding in 2015, reported as finding 2015-001.