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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, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Family & Children's Center Counseling and Development Services, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 19 through 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
Paul D. Joyce, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

December 31, 2016 and 2015

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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, 2016 and 2015, 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, 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

Supplementary Information

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 and nonfederal 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*, and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources* issued by the Indiana State Board of Accounts, 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 June 29, 2017, 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
June 29, 2017

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.**STATEMENTS OF FINANCIAL POSITION**December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 91,652	\$ 107,691
Grants and fees receivable	182,020	160,262
Due from affiliates	<u>162,123</u>	<u>101,106</u>
<i>Total assets</i>	<u>\$ 435,795</u>	<u>\$ 369,059</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 65,190	\$ 79,205
Due to affiliates	<u>312,323</u>	<u>225,350</u>
<i>Total liabilities</i>	<u>377,513</u>	<u>304,555</u>
Net Assets:		
Unrestricted	52,167	42,004
Temporarily restricted	<u>6,115</u>	<u>22,500</u>
<i>Total net assets</i>	<u>58,282</u>	<u>64,504</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 435,795</u>	 <u>\$ 369,059</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, 2016 and 2015

	2016			2015		
Revenues and Support:						
Grants:						
Healthy Families	\$ 1,471,558	\$ -	\$ 1,471,558	\$ 1,514,812	\$ -	\$ 1,514,812
Brain Train	62,120	-	62,120	48,005	-	48,005
United Way of St. Joseph County	1,786	-	1,786	16,406	12,500	28,906
From affiliates	126,701	-	126,701	74,420	-	74,420
Other	42,500	6,000	48,500	103,496	10,000	113,496
Private contributions	256	-	256	12,311	-	12,311
Special events	57,666	-	57,666	51,452	-	51,452
Contributed services from affiliate	29,938	-	29,938	45,850	-	45,850
Other	449	-	449	357	-	357
Net assets released from restrictions	22,385	(22,385)	-	-	-	-
<i>Total revenues and support</i>	<u>1,815,359</u>	<u>(16,385)</u>	<u>1,798,974</u>	<u>1,867,109</u>	<u>22,500</u>	<u>1,889,609</u>
Expenses:						
Healthy Families	1,429,095	-	1,429,095	1,423,984	-	1,423,984
Brain Train	50,826	-	50,826	55,693	-	55,693
St. Joseph County System of Care	42,500	-	42,500	78,207	-	78,207
Read Baby Read	9,885	-	9,885	-	-	-
<i>Total program service expenses</i>	<u>1,532,306</u>	<u>-</u>	<u>1,532,306</u>	<u>1,557,884</u>	<u>-</u>	<u>1,557,884</u>
Management and general	219,504	-	219,504	231,691	-	231,691
Fundraising	48,524	-	48,524	58,630	-	58,630
Unallocated dues to national affiliates	4,862	-	4,862	3,075	-	3,075
<i>Total expenses</i>	<u>1,805,196</u>	<u>-</u>	<u>1,805,196</u>	<u>1,851,280</u>	<u>-</u>	<u>1,851,280</u>
Change in net assets	10,163	(16,385)	(6,222)	15,829	22,500	38,329
Net assets, beginning of year	42,004	22,500	64,504	26,175	-	26,175
<i>Net assets, end of year</i>	<u>\$ 52,167</u>	<u>\$ 6,115</u>	<u>\$ 58,282</u>	<u>\$ 42,004</u>	<u>\$ 22,500</u>	<u>\$ 64,504</u>

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	<u>Healthy Families</u>	<u>Brain Train</u>	<u>St. Joseph County System of Care</u>	<u>Read Baby Read</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Totals</u>
Salaries	\$ 937,912	\$ 24,763	\$ -	\$ -	\$ -	\$ -	\$ 962,675
Payroll taxes	90,698	2,921	-	-	-	-	93,619
Retirement	18,378	448	-	-	-	-	18,826
Insurance	127,056	252	-	-	-	-	127,308
<i>Total personnel</i>	1,174,044	28,384	-	-	-	-	1,202,428
Purchase of services from affiliate	-	10,296	-	-	219,497	-	229,793
Contributed services from affiliate	-	-	-	-	-	29,938	29,938
Rent to affiliates	179,099	11,664	-	-	-	-	190,763
Program supplies	5,806	88	-	-	-	-	5,894
Medical expenses	3,005	-	-	-	-	-	3,005
Recruiting	2,397	63	-	-	-	-	2,460
Food	1,325	-	-	-	-	-	1,325
Telephone	9,691	225	-	-	-	-	9,916
Staff development	11,370	-	-	-	-	-	11,370
Postage	2,349	8	-	-	-	-	2,357
Office supplies	7,710	-	-	-	-	-	7,710
Travel	29,850	-	-	-	-	-	29,850
Special events	-	-	-	-	-	18,586	18,586
Professional fees	987	59	42,500	9,885	-	-	53,431
Other	1,462	39	-	-	7	-	1,508
<i>Totals</i>	<u>\$ 1,429,095</u>	<u>\$ 50,826</u>	<u>\$ 42,500</u>	<u>\$ 9,885</u>	<u>\$ 219,504</u>	<u>\$ 48,524</u>	<u>\$ 1,800,334</u>

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	<u>Healthy Families</u>	<u>Brain Train</u>	<u>St. Joseph County System of Care</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Totals</u>
Salaries	\$ 895,252	\$ 27,133	\$ -	\$ -	\$ -	\$ 922,385
Payroll taxes	84,378	3,177	-	-	-	87,555
Retirement	19,797	848	-	-	-	20,645
Insurance	<u>139,564</u>	<u>531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,095</u>
<i>Total personnel</i>	1,138,991	31,689	-	-	-	1,170,680
Purchase of services from affiliate	-	10,285	-	231,288	-	241,573
Contributed services from affiliate	-	-	-	-	45,850	45,850
Rent to affiliates	189,718	11,664	-	-	-	201,382
Program supplies	19,395	10	-	-	-	19,405
Medical expenses	1,173	222	-	-	-	1,395
Recruiting	1,117	147	-	-	-	1,264
Food	2,472	-	-	307	-	2,779
Telephone	11,295	376	-	-	-	11,671
Staff development	7,603	130	-	-	-	7,733
Postage	2,793	8	-	-	-	2,801
Office supplies	7,818	368	-	-	-	8,186
Travel	36,394	-	-	-	-	36,394
Special events	-	-	-	-	12,780	12,780
Professional fees	3,993	63	78,207	-	-	82,263
Other	<u>1,222</u>	<u>731</u>	<u>-</u>	<u>96</u>	<u>-</u>	<u>2,049</u>
<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>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Change in net assets	\$ (6,222)	\$ 38,329
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Grants and fees receivable	(21,758)	157,741
Accounts payable and accrued liabilities	<u>(14,015)</u>	<u>(26,399)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(41,995)</u>	<u>169,671</u>
Cash Flows from Financing Activities:		
(Increase) in due from affiliates	(61,017)	(7,706)
Increase (decrease) in due to affiliates	<u>86,973</u>	<u>(74,914)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>25,956</u>	<u>(82,620)</u>
Net change in cash and cash equivalents	(16,039)	87,051
Cash and cash equivalents, beginning of year	<u>107,691</u>	<u>20,640</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 91,652</u>	<u>\$ 107,691</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, 2016 and 2015

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, 2016 and 2015

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, 2016, the Organization had received approximately \$886,000 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, 2016 and 2015

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 2016 or 2015.

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, 2016 or 2015, 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, 2013.

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

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 31, 2016 and 2015, the Organization was owed \$162,123 and \$101,106, respectively, from Affiliates and owed \$312,323 and \$225,350, respectively, to Affiliates, which are reported as such in the statements of financial position. The Organization received grants of \$126,701 and \$74,420 from Family and Children's Center Foundation, Inc. for the years ended December 31, 2016 and 2015, respectively. For the year ending December 31, 2016 the Organization incurred costs of \$259,731 for administrative and fund raising expenses provided by Family and Children's Center, Inc., of which, \$29,938 represents noncash contributions of fundraising personnel. 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. For the years ending December 31, 2016 and 2015 the Organization incurred \$190,763 and \$201,382, 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, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
For next year – United Way	\$ -	\$ 12,500
For Read Baby Read program	<u>6,115</u>	<u>10,000</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 6,115</u>	<u>\$ 22,500</u>

Temporarily restricted net assets were released from restrictions by the expiration of time or by incurring expenses for restricted purposes as follows for the years ended December 31, 2016 and 2015, respectively:

Time restrictions expired – United Way	\$ 12,500	\$ -
Expenses incurred for Read Baby Read program	<u>9,885</u>	<u>-</u>
<i>Total net assets released</i>	<u>\$ 22,385</u>	<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 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, 2016 and 2015 was \$32,615 and \$32,836, respectively. The Organization received \$1,686 and \$1,664 in distributions from this fund for the years ended December 31, 2016 and 2015, respectively, which is included in private contributions revenue in the accompanying statements of activities.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5. DEBT GUARANTEE

The Organization, along with other Affiliates, guarantees a \$1,100,000 bank line of credit held by Family and Children's Center, Inc. with an outstanding balance of \$98,621 and \$218,621 at December 31, 2016 and 2015, respectively. No liability has been recorded for this guarantee because management does not believe it is probable that the Organization will have to fulfill the guarantee.

NOTE 6. LEASE INFORMATION

The Organization leases its facilities from Family and Children's Center, Inc. under an annual lease. Total rent expense was \$190,763 and \$201,382 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7. RETIREMENT PLAN

Family and Children's Center, Inc. maintains a defined-contribution retirement pension plan under Internal Revenue Code Section 401(k) covering substantially all of the full-time employees within the controlled group. Employer contributions are based on 3% of eligible compensation. Retirement expense was \$18,827 and \$20,645 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, approximately 81% and 80%, 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, 2016 the Organization had no deposits with financial institutions that exceeded the federal deposit insurance coverage. At December 31, 2016 and 2015, approximately 98% and 83%, respectively, of grants and fees were due from the Indiana Department of Child Services.

NOTE 9. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to December 31, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is June 29, 2017, 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 AND NONFEDERAL AWARDS

Year Ended December 31, 2016

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>
FEDERAL ASSISTANCE				
<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	A93-7-17-HF-MO-3762	\$ 749,973	\$ -
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	A93-7-17-HF-MO-3690	<u>721,585</u>	<u>-</u>
<i>Total expenditures of federal awards</i>			<u>1,471,558</u>	<u>-</u>
NONFEDERAL ASSISTANCE				
Indiana Family and Social Services Administration -				
Division of Mental Health:				
Trauma Informed Care Contract	n/a	A55-5-71-15-3A-2122	<u>42,500</u>	<u>42,500</u>
<i>Total expenditures of federal and nonfederal awards</i>			<u>\$ 1,514,058</u>	<u>\$ 42,500</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 AND NONFEDERAL AWARDS
Year Ended December 31, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and nonfederal awards (the “Schedule”) includes the federal and nonfederal grant activities of Family & Children’s Center Counseling and Development Services, Inc. (the “Organization”) under programs of the federal and state governments for the year ended December 31, 2016. 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.



**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, 2016, 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 June 29, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding #2016-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to the Finding

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

Purpose of This Report

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

Cullen & Associates, P.C.

South Bend, Indiana
June 29, 2017

**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, 2016. 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, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cullen & Associates, P.C.

South Bend, Indiana
June 29, 2017

FAMILY & CHILDREN’S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

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. One material weakness in internal control over financial reporting disclosed during the audit of the financial statements is reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*. No significant deficiencies are reported.
3. No instances of noncompliance material to the financial statements of Family & Children’s Center Counseling and Development Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor’s report on compliance for the major federal programs for Family & Children’s Center Counseling and Development Services, Inc. expresses an unmodified opinion on all major federal programs.
6. No 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 Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program, CFDA number 93.505.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Family & Children’s Center Counseling and Development Services, Inc. was determined to not be a low-risk auditee.

Findings - Financial Statements Audit

MATERIAL WEAKNESS

FINDING 2016-001

Condition: In 2016, the Organization had an inadequate segregation of duties. An adequate segregation of duties prevents any one person from being in a position to both perpetrate and conceal an error. The Director of Business Operations for Family & Children’s Center performed most accounting functions without anyone else reviewing bank statements and canceled checks, bank reconciliations, or general journal entries.

Criteria: §200.302(b)(4) of the Uniform Guidance requires that a recipient’s financial management system shall provide...“Effective control over, and accountability for, all funds, property and other

FAMILY & CHILDREN’S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

assets. The non-federal entity must adequately safeguard all such assets and assure they are used solely for authorized purposes.”

Cause: The person performing an independent review of bank statements and canceled checks, bank reconciliations, and general journal entries stopped doing so in early 2016.

Effect: There is an inadequate segregation of duties.

Context: The person performing these independent review duties was a qualified volunteer who left the Organization in January 2016. Additionally, Family & Children’s Center, Inc., the parent organization, was without an Executive Director for most of the year.

Recommendations: We recommend that a knowledgeable employee or Board member-

1. Obtain the monthly bank statements and canceled checks directly from the bank, and review those statements and checks for reasonableness of payees and amounts.
2. Review the monthly bank statement reconciliations for reasonableness of uncleared items and agree the reconciled balance to the related general ledger account.
3. Obtain the general journal entries monthly or quarterly and review the entries for reasonableness.

Views of Responsible Officials and Planned Corrective Actions: The Executive Committee of the Family & Children’s Center, Inc. board has decided to hire Cullar & Associates, PC to perform agreed-upon oversight procedures until a volunteer can be identified to perform these procedures. The scope of these procedures will cover the bank accounts and general ledgers of Family & Children’s Center, Inc., Family & Children’s Center Foundation, Inc., and Family & Children’s Center Counseling and Development Services, Inc.

Findings and Questioned Costs – Major Federal Award Programs Audit

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



CORRECTIVE ACTION PLAN

To United States Department of Health and Human Services

Family & Children's Center Counseling and Development Services, Inc. respectfully submits the following corrective plan for the year ended December 31, 2016.

Name and address of independent public accounting firm: Cullar & Associates, PC, CPA's, 218 West Washington Street, Suite 200, South Bend, IN 46601.

Audit period: January 1 to December 31, 2016.

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in that schedule.

Findings – Financial Statements Audit

MATERIAL WEAKNESS

FINDING 2016-001 – INADEQUATE SEGREGATION OF ACCOUNTING DUTIES

Recommendations: The auditor recommends that a knowledgeable employee or Board member-

1. Obtain the monthly bank statements and canceled checks directly from the bank, and review those statements and checks for reasonableness of payees and amounts.
2. Review the monthly bank statement reconciliations for reasonableness of uncleared items and agree the reconciled balance to the related general ledger account.
3. Obtain the general journal entries monthly or quarterly and review the entries for reasonableness.

Action Taken: The Executive Committee of the Family & Children's Center, Inc. board has decided to hire Cullar & Associates, PC to perform agreed-upon oversight procedures until a volunteer can be identified to perform these procedures. The scope of these procedures will cover the bank accounts and general ledgers of Family & Children's Center, Inc., Family & Children's Center Foundation, Inc., and Family & Children's Center Counseling and Development Services, Inc.

If there are questions regarding this plan, please contact Mark Mullaney either (574) 968-9660 or mmullaney@fccin.org

Sincerely,

Mark P. Mullaney
Director of Business Operations



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016**

Major Federal Awards Programs Audit

**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 2015-001 – LACK OF CENTRAL POINT FOR GRANTS MANAGEMENT AND COMPLIANCE

Condition: This was a significant deficiency relating to a lack of a central point for grants management and compliance.

Recommendations: The auditor recommended that one employee who is familiar, with federal and state administrative requirements be made responsible for the collection of all grants agreements, compliance reviews, and grantor communications.

Current status: The Organization promoted its Director of Program Impact to Executive Director in 2016. The Executive Director is now the chief contact with various funding sources and collects all grant documents, compliance reviews, and grantor communications.