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April 11, 2018


Board of Directors
Indiana Alliance of Boys and Girls Clubs, Inc.
973 N. Shadeland Ave., Box 296
Indianapolis, IN 46219

We have reviewed the report prepared by Indiana Alliance of Boys and Girls Clubs, Inc. and opined upon by Kemper CPA Group LLP, 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 Indiana Alliance of Boys and Girls Clubs, 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 findings in the report on pages 15 through 16. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Kemper CPA Group LLP 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

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Indiana Alliance of Boys and Girls Clubs, Inc.

We have audited the accompanying financial statements of Indiana Alliance of Boys and Girls Clubs, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Alliance of Boys and Girls Clubs, 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 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 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 March 1, 2017, on our consideration of Indiana Alliance of Boys and Girls Clubs, 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 Indiana Alliance of Boys and Girls Clubs, Inc.'s internal control over financial reporting and compliance.



Kemper CPA Group LLP

Avon, Indiana

March 1, 2017

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Cash	\$ 143,796	\$ 217,134
Grants receivable	319,456	218,946
Total Current Assets	463,252	436,080
Property and Equipment		
Office equipment	21,953	15,545
Less accumulated depreciation	(8,739)	(5,661)
Net Property and Equipment	13,214	9,884
Other Assets		
Software and design costs	38,723	15,900
Less accumulated ammortization	(17,770)	(15,900)
Net Other Assets	20,953	-
Total Assets	\$ 497,419	\$ 445,964
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 116,599	\$ 57,511
Grant reimbursements payable	123,120	141,646
Total Current Liabilities	239,719	199,157
Net Assets		
Unrestricted Net Assets	257,700	246,807
Total Net Assets	257,700	246,807
Total Liabilities and Net Assets	\$ 497,419	\$ 445,964

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

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE		
Members fees and dues	\$ 69,000	\$ 61,500
Government grants	2,507,155	2,609,430
Contributions	13,750	-
Club reimbursements	68,791	22,381
Miscellaneous income	<u>7,622</u>	<u>9,456</u>
Total Revenues	<u>2,666,318</u>	<u>2,702,767</u>
EXPENSES		
Program Service		
Professional fees	41,701	59,474
Staff development grants	12,550	2,690
Telephone and technology	7,875	6,903
Supplies	1,004,600	1,079,682
Training	14,705	31,275
Conferences and travel	77,354	66,246
Other	4,626	7,370
Club program reimbursements	<u>1,384,739</u>	<u>1,317,820</u>
Total Program Services	<u>2,548,150</u>	<u>2,571,460</u>
General and Administrative		
Professional fees	56,665	39,416
Bank charges	1,034	497
Depreciation	3,078	2,364
Amortization	1,870	-
Donations	40,000	-
Office supplies	<u>4,628</u>	<u>2,191</u>
Total General and Administrative Expenses	<u>107,275</u>	<u>44,468</u>
Total Expenses	<u>2,655,425</u>	<u>2,615,928</u>
Change in Unrestricted Net Assets	10,893	86,839
NET ASSETS - beginning of the year	<u>246,807</u>	<u>159,968</u>
NET ASSETS - end of the year	<u>\$ 257,700</u>	<u>\$ 246,807</u>

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

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 10,893	\$ 86,839
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,948	2,364
(Increase) Decrease in operating assets:		
Grants receivable	(100,510)	137,607
Increase (Decrease) in operating liabilities:		
Accounts payable	59,088	(187,025)
Grant reimbursements payable	(18,526)	9,122
Net Cash Provided (Used) by Operating Activities	(44,107)	48,907
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	(6,408)	(1,802)
Purchase of software and web design costs	(22,823)	-
Net Cash Used by Investing Activities	(29,231)	(1,802)
 Net Increase (Decrease) in Cash	 (73,338)	 47,105
 CASH - beginning of the year	 <u>217,134</u>	 <u>170,029</u>
 CASH - end of the year	 <u>\$ 143,796</u>	 <u>\$ 217,134</u>

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

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note A–NATURE OF OPERATIONS

The Indiana Alliance of Boys and Girls Clubs, Inc. (the Alliance) was incorporated in 2001 in the state of Indiana to provide a mechanism for joint decisions, communication and exchange of ideas and cooperative action among Boys and Girls Clubs in the State of Indiana, expand quality youth development, promote public awareness of youth development, and the problems youth face, promote and strengthen Boys and Girls Clubs' relationships with public and private agencies, and to raise funds solely from the State and its agencies and sub divisions. Revenues are derived from membership dues from individual Boys and Girls Clubs within the State of Indiana, grant administration income for managing various grants, and state and federal funding. The elected board of directors then contracts to provide lobbying efforts on behalf of the Boys and Girls Clubs.

Note B–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

Financial Statement Presentation –The Alliance is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. The Alliance does not have any permanently or temporarily restricted net assets.

Use of Estimates – The presentation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Membership Fees and Dues – Revenues on membership dues are recognized when earned. The Alliance evaluates its accounts receivable, and records bad debt expenses on uncollectible accounts periodically by the direct write-off method. Although this method is not in accordance with accounting principles generally accepted in the United States of America, use of the allowance method would not have a material effect on the financial statements.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions as required by the Not-For-Profit Entities Topic of the FASB Accounting Standards Codification. Gifts and contributions are recorded at fair value. The Alliance has not received any permanently restricted contributions. If the restriction is met in the same period the gift is received, it is reported as unrestricted support.

Government Grants – The Alliance records cost reimbursement grants as revenues in the period in which the related expenses are incurred and claimed for reimbursement. Revenues from performance based grants, whereby revenue is based on units of service delivered, are recorded in the period earned.

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – The Alliance records property and equipment at cost if purchased and at fair market value if donated. The Alliance capitalizes major renewals and betterments that substantially increase the lives of existing assets. Maintenance, repairs, and minor improvements are expensed as incurred. The Alliance maintains a formal capitalization policy and capitalizes items greater than \$500. Lesser amounts are expensed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Equipment	5 Years
Software	3 Years

Income Taxes – The Alliance is an organization exempt from federal income tax under Section 501(c) (4) of the Internal Revenue Code. Therefore no provision or liability for income taxes has been included in the financial statements. The Alliance believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There was no unrelated business income for the years ended December 31, 2016 and 2015. The Alliance files as part of a composite return with the Boys & Girls Clubs of America. The Alliance is generally no longer subject to U.S. federal and state tax examinations by taxing authorities for years prior to 2013.

Note C—COMMITMENT

The Alliance has contracted with a lobbyist to represent them before the Indiana legislature. This contract requires monthly payments of \$2,708, for the years ended December 31, 2016 and 2015. These fees are included in professional fees.

Note D—CONCENTRATION OF CREDIT RISK

The Alliance maintains its cash balances at a financial institution, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016 and 2015 the Alliance did not have an uninsured cash balance.

As of December 31, 2016 and 2015, the State of Indiana comprised 100% of the grants receivable balance at year end. For the years ended December 31, 2016 and 2015, the Alliance received approximately 94% and 98% of its support through the federal government as a sub-recipient from the State of Indiana.

Note E—RELATED PARTIES

The Alliance's treasurer is also the executive director of a Boys and Girls Club that is served by the Alliance. The club pays dues to the Alliance annually. For the years ended December 31, 2016 and 2015, the Alliance paid \$70,471 and \$72,133 to the club managed by the Alliance's treasurer.

In addition, the grant coordinator that works with the Alliance is an employee of a Boys and Girls Club that is served by the Alliance. The club pays dues to the Alliance annually. For the years ended December 31, 2016 and 2015, the Alliance paid \$193,982 and \$196,471 to the club that employs the Alliance's grant coordinator. As part of the grant agreement, the Alliance also pays for a portion of the grant coordinator's salary and related expenses. These expenses are included in the statement of activities with Club Programs and the amounts reflected above.

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note F—GRANTS

The Alliance participated in several grant programs for the years ending December 31, 2016 and 2015. Under each of the grants various member clubs participate in the programs. One of the member club's provides the grant administration functions while another member club provides fiscal management. For the years ending December 31, 2016 and 2015, the following grant activity occurred:

	<u>2016</u>	<u>2015</u>
Grant Revenues		
Indiana Kids	\$ 988,735	\$ 968,905
21st Century Community Learning Centers	287,930	362,773
Child and Adult Care Food Programs	1,023,594	1,074,609
Abstinence Grant	197,902	160,090
Other	77,785	43,053
Total Grant Revenues	<u>2,575,946</u>	<u>2,609,430</u>
Grant Expenses		
Indiana Kids	975,523	940,094
21st Century Community Learning Centers	280,686	362,773
Child and Adult Care Food Programs	962,630	1,060,076
Abstinence Grant	189,461	159,528
Other	90,279	39,849
Total Grant Expenses	<u>2,498,579</u>	<u>2,562,320</u>
Net Grant Revenue and Expenses	<u>\$ 77,367</u>	<u>\$ 47,110</u>

Note G—SUBSEQUENT EVENTS

The Alliance has evaluated events and transactions for potential recognition or disclosure through DRAFT, the date the financial statements were available to be issued. No material subsequent events were identified which would require disclosure or adjustments to the financial statements as of December 31, 2016.

SUPPLEMENTAL INFORMATION

**INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROGRAM	CFDA NUMBER	EXPENDITURES
<u>Pass-through from the State of Indiana</u>		
United States Department of Agriculture		
Child and Adult Care Food Program	10.558	\$711,294
Summer Food Service Program for Children	10.559	<u>251,336</u>
		<u>962,630</u>
Department of Health and Human Services		
Abstinence Education Grant Program	93.235	189,461
Temporary Assistance for Needy Families	93.558	<u>975,523</u>
		<u>1,164,984</u>
Department of Education		
21st Century Community Learning Centers	84.287	<u>280,686</u>
		<u>280,686</u>
Corporation for National & Community Service		
Americorps	94.006	<u>78,826</u>
		<u>78,826</u>
Total Federal Awards		<u>\$ 2,487,126</u>

See Note to Schedule of Expenditures of Federal Awards.

**INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note A – BASIS OF PRESENTATION

Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Alliance under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Indiana Alliance of Boys and Girls Clubs, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Indiana Alliance of Boys and Girls Clubs, Inc..

NOTE B – SUMMARY OF 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.

Indiana Alliance of Boys and Girls Clubs, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

Note C – SUBRECIPIENTS

Indiana Alliance of Boys and Girls Clubs, Inc. provided the following federal awards to subrecipients.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Abstinence Education Program	93.235	\$ 140,216
Temporary Assistance for Needy Families	93.558	<u>830,092</u>
Total		<u>\$ 970,308</u>



**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 of
Indiana Alliance of Boys and Girls Clubs, Inc.

We have audited 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, the financial statements of Indiana Alliance of Boys and Girls Clubs, Inc. (the Alliance), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance'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 Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2016-1.

Compliance and Other Matters

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

Indiana Alliance of Boys and Girls Clubs, Inc.'s Responses to Findings

The Alliance's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Alliance's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion.

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 result of that testing, and not to provide an opinion on the effectiveness of the Alliance'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kemper CPA Group LLP
Avon, Indiana
March 1, 2017



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

To the Board of Directors of
Indiana Alliance of Boys and Girls Clubs, Inc.

Report on Compliance for Each Major Federal Program

We have audited Indiana Alliance of Boys and Girls Clubs, Inc.'s (the Alliance) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Alliance's major federal programs for the year ended December 31, 2016. The Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Alliance'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 the Alliance'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 the Alliance's compliance.

Opinion of Each Major Federal Program

In our opinion, Indiana Alliance of Boys and Girls Clubs, 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 the Alliance 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 the Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 the Alliance's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2016-1.

The Alliance's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Alliance's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



Kemper CPA Group LLP
Avon, Indiana
March 1, 2017

**INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Indiana Alliance of Boys and Girls Clubs, Inc.
2. Reportable conditions resulting in a material weakness were identified in internal control over financial reporting as described in 2016-1.
3. A reportable instance of non-compliance material to the financial statements of Indiana Alliance of Boys and Girls Clubs, Inc. was disclosed during the audit.
4. A material weakness was identified relating to the audit of the major federal award programs reported in the "Independent Auditor's report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance".
5. The auditors' report on compliance for Indiana Alliance of Boys and Girls Clubs, Inc. expresses an unmodified opinion on all major federal programs.
6. A material weakness was identified relative to the major federal award programs for Indiana Alliance of Boys and Girls Clubs, Inc.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA</u>
Temporary Assistance for Needy Families	93.558
Child / Adult Food Program	10.558

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Indiana Alliance of Boys and Girls Clubs, Inc. was determined to be a high-risk auditee.

Findings Relating to Financial Statements

2016-1 Lack of segregation of duties

Condition: The Alliance lacks adequate segregation of duties consistent with appropriate control objectives.

Criteria: Internal controls are the specific policies and procedures management uses to achieve its objectives. One of these controls is the segregation of duties that requires different individuals be assigned responsibility for different elements of related activities, particularly those involving authorization, custody or recordkeeping.

Cause: The Alliance does not have any employees and those contracted to perform the administrative tasks are limited. The Alliance is a statewide organization and its Board members are located throughout Indiana thus limiting any involvement in the control activities.

Effect: Because of the lack of segregation of duties the risk is greater that intentional or unintentional accounting, reporting and compliance errors or irregularities can go undetected.

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Recommendation: Due to the size of the staff, segregation of duties will be limited. Consideration should be given to oversight and review of accounting functions by various Board members.

Views of Responsible Officials and Corrective Actions: The Alliance has redesigned organization responsibilities so that no one individual possesses access to all reporting functions and will continue to distribute monthly statements and financial for review to all board members as a form of governance oversight.

Findings and Questioned Costs for Federal Awards

2016-1 Lack of segregation of duties

Condition: The Alliance lacks adequate segregation of duties consistent with appropriate control objectives.

Criteria: Internal controls are the specific policies and procedures management uses to achieve its objectives. One of these controls is the segregation of duties that requires different individuals be assigned responsibility for different elements of related activities, particularly those involving authorization, custody or recordkeeping.

Cause: The Alliance does not have any employees and those contracted to perform the administrative tasks are limited. The Alliance is a statewide organization and its Board members are located throughout Indiana thus limiting any involvement in the control activities.

Effect: Because of the lack of segregation of duties the risk is greater that intentional or unintentional accounting, reporting and compliance errors or irregularities can go undetected.

Recommendation: Due to the size of the staff, segregation of duties will be limited. Consideration should be given to oversight and review of accounting functions by various Board members.

Views of Responsible Officials and Corrective Actions: The Alliance has redesigned organization responsibilities so that no one individual possesses access to all reporting functions and will continue to distribute monthly statements and financial for review to all board members as a form of governance oversight.

Section IV – Prior Year Findings

2015-1 Lack of segregation of duties

Condition: The Alliance lacks adequate segregation of duties consistent with appropriate control objectives.

Recommendation: Due to the size of the staff, segregation of duties will be limited. Consideration should be given to oversight and review of accounting functions by various Board members.

Current Status: The Alliance has redesigned organization responsibilities so that no one individual possesses access to all reporting functions and will continue to distribute monthly statements and financial for review to all board members as a form of governance oversight.

INDIANA ALLIANCE OF BOYS AND GIRLS CLUBS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2015-2 Noncompliance with Summer Food Service Program

Condition: Records for several sites indicated a shortage of the milk component as it related to the servings and meals counted. Due to the shortage of milk quantities at the sites as noted, those meals will not count towards the total servings counted and submitted for reimbursement. This adjustment to the related claims resulted in an overpayment of \$23,452 which must be returned.

Recommendation: Each site should be provided with the necessary quantities to fulfill their needs and meet the requirements as outlined in the approved menus as provided. Adequate documentation and records should also be kept to verify that all sites have been supplied the necessary items.

Current Status: Amounts due have been returned and sites were reinstructed on proper count procedures to ensure the proper quantities have been recorded.