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June 11, 2018

Board of Directors  
1<sup>st</sup> Kids, Inc.  
11045 Broadway  
Crown Point, IN 46307

We have reviewed the report prepared by 1<sup>st</sup> Kids, Inc. and opined upon by L. M. Henderson & Company, LLP, Independent Public Accountants, for the period April 1, 2016 to March 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of 1<sup>st</sup> Kids, Inc. as of March 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, L. M. Henderson & Company, 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*  
Paul D. Joyce, CPA  
State Examiner

# 1st Kids, Inc.

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## **FINANCIAL STATEMENTS**

*Year Ended March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016*



L. M. HENDERSON & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

# 1st Kids, Inc.

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*March 31, 2017 with Comparative Totals at March 31, 2016*

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## Independent Auditor's Report

To the Board of Directors of  
1st Kids, Inc.  
Crown Point, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of 1st Kids, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, change in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 1st Kids, Inc. as of March 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the 1st Kids, Inc.'s March 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2016. In our opinion, the summarized comparative information presented herein, as of, and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

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 December 19, 2017, on our consideration of 1st Kids, 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 1st Kids, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants  
Indianapolis, Indiana

December 19, 2017

# 1st Kids, Inc.

## Statements of Financial Position

at March 31, 2017 with Comparative Totals at March 31, 2016

	March 31, 2017	March 31, 2016
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 874,468	\$ 742,063
Grants receivable - Note 2	1,165,113	669,502
Eligibility determination receivable	30,118	36,803
Prepaid expense	148,745	159,655
Total current assets	<u>2,218,444</u>	<u>1,608,023</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture and fixtures	181,192	163,325
Less: Accumulated depreciation	<u>128,953</u>	<u>115,025</u>
Total property and equipment	<u>52,239</u>	<u>48,300</u>
Total assets	<u>\$ 2,270,683</u>	<u>\$ 1,656,323</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 158,259	\$ 115,798
Accrued payroll expenses	<u>411,103</u>	<u>254,642</u>
Total current liabilities	<u>569,362</u>	<u>370,440</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>1,701,321</u>	<u>1,285,883</u>
Total net assets	<u>1,701,321</u>	<u>1,285,883</u>
Total liabilities and net assets	<u>\$ 2,270,683</u>	<u>\$ 1,656,323</u>

See Notes to Financial Statements.

# 1st Kids, Inc.

## Statements of Activities and Change in Net Assets

Year Ended March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016

	Year Ended	
	March 31, 2017	March 31, 2016
<b>REVENUE:</b>		
System Point of Entry grants	\$ 5,408,681	\$ 4,812,394
First Steps System Development grant	209,804	182,576
Eligibility determination	1,871,790	1,798,657
Donations	4,812	1,806
Other revenue	5,399	5,406
Total revenue	<u>7,500,486</u>	<u>6,800,839</u>
<b>EXPENSES:</b>		
Program services	7,084,918	6,474,578
Management and general	130	791
Total expenses	<u>7,085,048</u>	<u>6,475,369</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	415,438	325,470
<b>UNRESTRICTED NET ASSETS:</b>		
Balance, beginning of year	<u>1,285,883</u>	<u>960,413</u>
Balance, end of year	<u>\$ 1,701,321</u>	<u>\$ 1,285,883</u>

See Notes to Financial Statements.

# 1st Kids, Inc.

## Statements of Cash Flows

Year Ended March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016

	Year Ended	
	March 31, 2017	March 31, 2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in unrestricted net assets	\$ 415,438	\$ 325,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,928	9,956
Changes in assets and liabilities:		
Increase in grants receivable	(495,611)	(198,985)
(Increase) decrease in eligibility determination receivable	6,685	(2,701)
(Increase) decrease in prepaid expense	10,910	(116,116)
Increase in accounts payable	42,461	20,207
Increase in accrued payroll expenses	156,461	49,553
Total adjustments	(265,166)	(238,086)
Net cash provided by operating activities	150,272	87,384
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Capital expenditures	(17,867)	(28,718)
Net cash used in investing activities	(17,867)	(28,718)
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	132,405	58,666
<b><u>CASH AND CASH EQUIVALENTS:</u></b>		
Beginning of year	742,063	683,397
End of year	\$ 874,468	\$ 742,063

### SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:

During the year ended March 31, 2016, fully depreciated furniture and fixtures was disposed of with a cost of \$10,829.

See Notes to Financial Statements.

# 1st Kids, Inc.

## Statements of Functional Expenses

Year Ended March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016

	Program Services			Total Program Services	Management and General	Year Ended	
	System Point of Entry	First Steps System Development	Eligibility Determination			March 31, 2017	March 31, 2016
Salaries, payroll taxes, and fringe benefits	\$ 4,320,785	\$ 201,860	\$ -	\$ 4,522,645	\$ -	\$ 4,522,645	\$ 3,962,813
Professional fees and contract services	308,189	13,474	1,614,351	1,936,014	-	1,936,014	1,844,158
Supplies	86,255	7,017	160	93,432	-	93,432	117,105
Postage, phone, shipping and delivery	105,580	-	-	105,580	-	105,580	109,603
Conferences and meetings	-	-	-	-	130	130	791
Occupancy	164,939	-	-	164,939	-	164,939	140,680
Insurance	15,404	2,141	-	17,545	-	17,545	46,682
Travel	223,670	7,165	-	230,835	-	230,835	243,581
Depreciation	13,928	-	-	13,928	-	13,928	9,956
<b>Total expenses</b>	<b>\$ 5,238,750</b>	<b>\$ 231,657</b>	<b>\$ 1,614,511</b>	<b>\$ 7,084,918</b>	<b>\$ 130</b>	<b>\$ 7,085,048</b>	<b>\$ 6,475,369</b>

See Notes to Financial Statements.

## Notes to Financial Statements

March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by 1st Kids, Inc. (the Organization) are listed below:

- (a) The Organization is the point of entry for the State of Indiana's First Steps program. During 2005, the Organization changed its name from Beyond Play Incorporated to 1st Kids, Inc. The program is designed to provide needed early intervention services to infants and toddlers, ages birth to three years and their families. The Organization informs individuals of the appropriate programs available. The referred services include occupational, physical and speech therapy, social services, health services, home visits, and transportation. The State of Indiana (the State), through funding provided by the Federal Government, is the principal funding source of the Organization that includes four clusters of counties (A, B, C, D). Cluster A includes the following Indiana counties: Lake, Porter, LaPorte, Newton, Jasper, Starke, and Pulaski. Cluster B includes the following Indiana counties: DeKalb, Elkhart, LaGrange, Noble, St. Joseph, Steuben, Whitley, Kosciusko, Marshall, and Fulton. Cluster C includes the following Indiana counties: Allen, Huntington, Wells, Adams, Wabash, Miami, and Grant. Cluster D includes the following Indiana counties: White, Benton, Warren, Tippecanoe, Carroll, Clinton, Boone, Fountain, Montgomery, Cass, and Howard. As of January 1, 2011, the State turned over administration of the Eligibility Determination (ED) process to the Organization, making the Organization the agent for the First Steps program's contracted ED team members. ED team members consist of: speech therapists, physical therapists, occupational therapists, and developmental therapists. Each child is evaluated by an ED team to determine whether they meet the State's eligibility criteria for entrance into the program. Funding for the ED process comes from the State and is used to pay the ED team members.
- (b) The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:
- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There are no temporarily restricted net assets as of March 31, 2017 and March 31, 2016.
- Permanently restricted net assets - Net assets subject to donor imposed stipulations that may be retained and invested permanently by the Organization. There are no permanently restricted net assets as of March 31, 2017 and March 31, 2016.
- (c) All items of assets are shown at cost.

## **Notes to Financial Statements**

*March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016*

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (d) Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$13,928 and \$9,956 for the years ended March 31, 2017 and March 31, 2016, respectively. Major additions and improvements are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred.
- (e) Donated materials are reflected in the accompanying financial statements at their estimated values at date of receipt. Donated services performed by individuals that are engaged in a business that normally provides that service for a profit have been recorded based on the amounts the business normally charges for that service. No amounts have been reflected in the financial statements for donated services for which no objective basis is available to measure their value; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services.
- (f) For purposes of the statements of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.
- (g) The Organization maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.
- (h) The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (i) Management considers all grants and other receivables as of March 31, 2017 and March 31, 2016 to be fully collectible. Accordingly, an allowance for doubtful accounts was not necessary at March 31, 2017 and March 31, 2016.
- (j) Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- (k) Certain reclassifications have been made to the prior year comparative totals in order for them to be in conformity with current year presentation.
- (l) Management has evaluated subsequent events through December 19, 2017, the date the financial statements were available to be issued.

# 1st Kids, Inc.

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## Notes to Financial Statements

March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016

### Note 2: GRANTS RECEIVABLE/SIGNIFICANT FUNDING SOURCE

A major funding source for the Organization is Indiana Family and Social Services Administration (FSSA). For the years ended March 31, 2017 and March 31, 2016, the Organization received approximately 75% and 73% of its revenues that were received from FSSA for the years ended March 31, 2017 and March 31, 2016, respectively. At March 31, 2017 and March 31, 2016, the grants receivable consisted of:

	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
System Point of Entry grant	<u>\$ 1,165,113</u>	<u>\$ 669,502</u>
Totals	<u>\$ 1,165,113</u>	<u>\$ 669,502</u>

### Note 3: LEASE COMMITMENTS

The Organization leases office spaces and equipment from unrelated parties. Rent expense for the three operating leases for the years ended March 31, 2017 and March 31, 2016 totaled \$164,939 and \$140,680, respectively.

Future minimum lease payments under operating leases are as follows as of March 31, 2017:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2018	\$ 180,250
2019	148,992
2020	112,461
2021	87,600
2022	90,000
Thereafter	<u>428,400</u>
Total	<u>\$ 1,047,703</u>

### Note 4: LINE OF CREDIT

The Organization has a line of credit available with Centier Bank not to exceed \$75,000, requiring monthly installments of interest at prime (4.00% at March 31, 2017) plus 1.00%, but never less than 4.75% (interest rate of 4.75% at March 31, 2017), with all outstanding principal and accrued unpaid interest. The line was secured by equipment assets of the Organization. The line of credit matures on January 4, 2019.

### Note 5: FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

# 1st Kids, Inc.

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## **Notes to Financial Statements**

*March 31, 2017 with Comparative Totals for the Year Ended March 31, 2016*

### **Note 6: TAX STATUS**

The Organization has been determined by the Internal Revenue Service to be tax exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). As a result, contributions made to the Organization qualify as charitable deductions as described in Section 170(c) of the Code. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Code. Any unrelated business income received by the Organization would be taxable.

Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the Organization continues to qualify to be treated as a Section 501(c)(3) organization for both federal and state purposes. For the years ended March 31, 2017 and March 31, 2016, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of March 31, 2017 and March 31, 2016, or the years then ended. The annual information returns for the Organization are subject to examination by taxing authorities for a period of three years from the date they are filed.

### **Note 7: RETIREMENT PLAN**

The Organization has a 403(b) Tax Deferred Annuity Plan for those employees who have completed one year of service and have attained age 21. Eligibility commences on the first day of the fiscal quarter following satisfaction of the eligibility requirements. Discretionary contributions by the Organization amounted to \$59,589 and \$53,856 for the years ended March 31, 2017 and March 31, 2016, respectively.

### **Note 8: PRIOR-YEAR INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with 1<sup>st</sup> Kids, Inc.'s financial statements for the year ended March 31, 2016, from which the summarized information was derived.

# 1st Kids, Inc.

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## **FEDERAL FINANCIAL ASSISTANCE**

*Year Ended March 31, 2017*

L. M. HENDERSON & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

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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 of  
1st Kids, Inc.  
Crown Point, Indiana

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 1st Kids, Inc. (an Indiana nonprofit organization) which comprise the statements of financial position as of March 31, 2017, and the related statements of activities, change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 1<sup>st</sup> Kid's, Inc.'s 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 1<sup>st</sup> Kid's, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of significant 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.

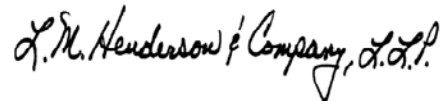
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 1<sup>st</sup> Kid's, Inc.'s financial statements are free from material misstatements, 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 test 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.



Certified Public Accountants  
Indianapolis, Indiana

December 19, 2017

L. M. HENDERSON & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

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Independent Auditor's Report on Compliance For Each Major Program and  
on Internal Control over Compliance Required by Uniform Guidance

To the Board of Directors of  
1st Kids, Inc.  
Crown Point, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited 1<sup>st</sup> Kids, 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 1<sup>st</sup> Kids, Inc.'s major federal programs for the year ended March 31, 2017. 1<sup>st</sup> Kids, 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 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 1st Kids, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations 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 1st Kids, 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 1st Kids, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, 1st Kids, 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 March 31, 2017.

**Report on Internal Control over Compliance**

Management of 1st Kids, 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 1st Kids, 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 1st Kids, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*L.M. Henderson & Company, L.L.P.*

Certified Public Accountants  
Indianapolis, Indiana

December 19, 2017

# 1st Kids, Inc.

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## Schedule of Expenditures of Federal Awards

March 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Department of Education Indiana Family & Social Services Administration Special Education - Grants for Infants and Families with Disabilities	84.181	45-14-5F-1153-04	
System Point of Entry (SPOE)			\$ 5,238,750
First Steps System Development			<u>231,657</u>
Total expenditures of federal awards			<u>\$ 5,470,407</u>

Note 1: This schedule of expenditures of federal awards includes the federal grant activity of 1st Kids, Inc. and is presented on the accrual basis of accounting. 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: There were no noncash assistance, insurance or loan guarantees outstanding for the year ended March 31, 2017.

# 1st Kids, Inc.

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## **Schedule of Findings and Questioned Costs**

March 31, 2017

### Section I - Summary of Auditor's Results

#### Financial Statements

The auditor's report expresses an unmodified opinion on the general-purpose financial statements of 1st Kids, Inc. in accordance with US GAAP.

No material weaknesses were identified in the internal controls over financial reporting.

No significant deficiencies were identified in the internal controls over financial reporting.

No instances of noncompliance material to the financial statements of 1st Kids, Inc. were disclosed during the audit.

#### Federal Awards

No material weaknesses were identified in the internal controls over major federal programs.

No significant deficiencies were identified in the internal controls over major federal programs.

The auditor's report on compliance for major programs expresses an unmodified opinion.

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this schedule.

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.181	Special Education - Grants for Infants and Families With Disabilities
Dollar Threshold used to distinguish between type A and type B programs:	\$ 750,000

The auditee qualified as a low-risk auditee.

### Section II - Financial Statement Findings

None

### Section III - Federal Award Findings and Questioned Costs

None

1st Kids, Inc.

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**Schedule of Prior Year Findings**

*March 31, 2017*

Section I - Financial Statement Findings

None

Section II - Federal Award Findings and Questioned Costs

None

1st Kids, Inc.

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**Corrective Action Plan**

*March 31, 2017*

Section I - Financial Statement Findings

None

Section II - Federal Award Findings and Questioned Costs

None