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June 12, 2018

Board of Directors
Community and Family Services, Inc.
521 South Wayne St., P.O. Box 1087
Portland, IN 47371

We have reviewed the report prepared by Community and Family Services, Inc. and opined upon by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Community and Family Services, Inc. as of December 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, Comer, Nowling and Associates, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**Community and Family
Services, Inc.**



**Financial Statements
For The Year Ended
December 31, 2017 and 2016
(With Single Audit Section)**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**COMMUNITY AND FAMILY SERVICES, INC.
FINANCIAL STATEMENTS**

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INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community and Family Services, Inc.
Portland, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community and Family Services, Inc. (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Community and Family Services, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements of Community and Family Services, Inc. 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. The accompanying schedule of expenditures for state and local awards, as required 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 April 27, 2018 on our consideration of Community and Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
April 27, 2018

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS:		
Cash	\$ 137,178	\$ 198,620
Grants receivable	287,697	242,540
Accounts receivable	-	75
Prepaid expenses	8,841	10,777
Inventory	25,499	17,712
Real property held for sale	236,977	230,678
Total current assets	696,192	700,402
FIXED ASSETS (Net of accumulated depreciation)	980,953	1,161,136
Total assets	\$ 1,677,145	\$ 1,861,538

LIABILITIES AND UNRESTRICTED NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 89,964	\$ 129,354
Accrued salaries and taxes	136,684	98,740
Accrued vacation	103,494	86,228
Other accrued expenses	986	559
Line of credit	99,492	99,492
Current portion of long-term debt	78,140	32,103
Total current liabilities	508,760	446,476
LONG-TERM DEBT:		
Notes Payable less current portion	766,699	818,592
UNRESTRICTED NET ASSETS	401,686	596,470
Total liabilities and unrestricted net assets	\$ 1,677,145	\$ 1,861,538

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER SUPPORT		
Federal contract revenue	\$ 6,473,284	\$ 6,646,843
Other grant revenue	62,418	60,946
Contributions	288,450	488,059
Interest income	44	54
Project income	436,269	338,571
Rental income	84,215	75,845
Gain (loss) on disposal of fixed assets	6,052	-
Miscellaneous income	5,269	4,779
In-kind revenue	<u>435,285</u>	<u>397,704</u>
Total revenue and other support	<u>7,791,286</u>	<u>8,012,801</u>
EXPENSES		
Head Start	2,616,751	2,426,375
Energy Assistance	1,190,176	1,929,585
Women, Infants and Children	578,673	573,144
Weatherization	550,563	570,142
Section 8 Housing	773,026	741,737
Community Services Block Grant	364,499	476,661
Other Programs	1,087,436	760,253
Management and general	<u>647,440</u>	<u>669,135</u>
Total expenses	<u>7,808,564</u>	<u>8,147,032</u>
Loss of construction in process	<u>177,506</u>	<u>-</u>
Total expenses and losses	<u>7,986,070</u>	<u>8,147,032</u>
NET INCREASE IN UNRESTRICTED NET ASSETS	(194,784)	(134,231)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>596,470</u>	<u>730,701</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 401,686</u>	<u>\$ 596,470</u>

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXPENSES	<u>Head Start</u>	<u>Energy Assistance</u>	<u>Women, Infants and Children</u>	<u>Weatherization</u>
Salaries	\$ 1,275,099	\$ 124,090	\$ 382,602	\$ 176,656
Payroll taxes	101,802	10,105	31,042	14,173
Payroll benefits	288,931	36,682	87,814	37,266
Printing and postage	5,342	3,555	1,537	426
Advertising	-	-	-	-
Rent	60,125	-	15,908	-
Utilities	32,692	1,971	4,907	3,602
Communications	19,619	7,569	9,704	1,773
Dues and subscriptions	14,049	13	63	15
Transportation costs	6,344	27	34	8,422
Travel and training	40,224	1,180	5,955	4,444
Program expenses	200,800	996,104	3,884	39,720
Professional and legal fees	11,371	-	-	-
Contracted services	5,114	-	-	212,811
In-kind expense	435,285	-	-	-
Insurance	28,295	-	1,568	203
Supplies	11,371	3,918	25,932	36,355
Office expense	11,778	4	32	50
Taxes and fees	1,025	-	-	-
Equipment leases	7,883	1,668	-	-
Equipment purchase and maintenance	1,978	11	26	-
Building and grounds maintenance	38,984	954	2,409	373
Miscellaneous expenses	292	-	-	-
Depreciation expense	18,348	2,325	5,256	14,274
Total operating expenses	<u>\$ 2,616,751</u>	<u>\$ 1,190,176</u>	<u>\$ 578,673</u>	<u>\$ 550,563</u>

See accompanying notes to financial statements.

Section 8 Housing	Community Services Block Grant	Other Programs	Total Services	Management and General	2017 Totals
\$ 36,564	\$ 225,619	\$ 440,833	\$ 2,661,463	\$ 445,755	\$ 3,107,218
2,835	18,859	33,757	212,573	36,139	248,712
9,885	27,879	25,328	513,785	100,583	614,368
1,000	-	1,767	13,627	5,680	19,307
-	-	716	716	-	716
-	4,210	14,146	94,389	10,171	104,560
292	10,282	45,632	99,378	923	100,301
928	9,115	6,748	55,456	963	56,419
82	10,868	10,934	36,024	789	36,813
-	413	9,878	25,118	-	25,118
2,757	12,453	2,241	69,254	2,234	71,488
716,337	6,702	125,406	2,088,953	-	2,088,953
-	2,332	-	13,703	9,196	22,899
-	1,104	12,913	231,942	-	231,942
-	-	-	435,285	-	435,285
-	5,991	-	36,057	23,003	59,060
2,320	5,013	194,561	279,470	475	279,945
-	3,201	956	16,021	8,699	24,720
-	234	38,798	40,057	870	40,927
-	6,249	1,787	17,587	285	17,872
-	2,193	-	4,208	5	4,213
26	4,945	23,346	71,037	373	71,410
-	193	50,136	50,621	383	51,004
-	6,644	47,553	94,400	914	95,314
<u>\$ 773,026</u>	<u>\$ 364,499</u>	<u>\$ 1,087,436</u>	<u>\$ 7,161,124</u>	<u>\$ 647,440</u>	<u>\$ 7,808,564</u>

**COMMUNITY AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

EXPENSES	<u>Head Start</u>	<u>Energy Assistance</u>	<u>Women, Infants and Children</u>	<u>Weatherization</u>
Salaries	\$ 1,216,404	\$ 140,344	\$ 389,444	\$ 207,175
Payroll taxes	92,262	10,569	30,101	16,086
Payroll benefits	262,732	26,618	80,309	43,355
Printing and postage	5,585	5,993	287	412
Advertising	-	-	-	-
Rent	50,806	-	15,898	-
Utilities	30,478	2,011	4,923	2,201
Communications	19,350	5,209	7,324	1,509
Dues and subscriptions	3,605	665	50	358
Transportation costs	4,068	1	2	8,676
Travel and training	44,133	1,858	10,995	5,767
Program expenses	192,785	1,727,422	3,148	11,768
Professional and legal fees	9,740	-	-	-
Contracted services	4,501	-	150	212,542
In-kind expense	376,238	-	-	-
Insurance	25,912	-	1,260	96
Supplies	18,650	3,519	21,127	40,772
Office expense	9,663	353	90	24
Taxes and fees	1,542	-	-	-
Equipment leases	8,085	1,584	-	-
Equipment purchase and maintenance	1,294	-	-	-
Building and grounds maintenance	29,388	1,114	2,780	548
Miscellaneous expenses	-	-	-	-
Depreciation expense	19,154	2,325	5,256	18,853
Total operating expenses	<u>\$ 2,426,375</u>	<u>\$ 1,929,585</u>	<u>\$ 573,144</u>	<u>\$ 570,142</u>

See accompanying notes to financial statements.

Section 8 Housing	Community Services Block Grant	Other Programs	Total Services	Management and General	2016 Totals
\$ 32,962	\$ 289,816	\$ 206,001	\$ 2,482,146	\$ 461,698	\$ 2,943,844
2,458	23,199	16,958	191,633	36,224	227,857
8,885	29,022	78,416	529,337	107,920	637,257
852	3,796	3,199	20,124	3,929	24,053
-	652	524	1,176	-	1,176
-	2,950	8,779	78,433	7,953	86,386
368	10,710	37,543	88,234	1,097	89,331
811	8,109	3,143	45,455	815	46,270
1,724	13,115	1,603	21,120	1,375	22,495
-	1,886	13,920	28,553	23	28,576
3,749	8,409	1,700	76,611	3,597	80,208
687,802	574	128,410	2,751,909	-	2,751,909
-	1,364	2,017	13,121	8,376	21,497
-	480	36,616	254,289	-	254,289
-	-	21,466	397,704	-	397,704
-	3,628	3,301	34,197	22,284	56,481
2,083	56,657	25,195	168,003	784	168,787
-	2,136	625	12,891	7,012	19,903
-	216	60,192	61,950	1,326	63,276
-	6,857	2,362	18,888	967	19,855
-	1,844	4,455	7,593	1,823	9,416
43	5,493	35,101	74,467	528	74,995
-	-	27,518	27,518	-	27,518
-	5,748	41,209	92,545	1,404	93,949
<u>\$ 741,737</u>	<u>\$ 476,661</u>	<u>\$ 760,253</u>	<u>\$ 7,477,897</u>	<u>\$ 669,135</u>	<u>\$ 8,147,032</u>

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COMMUNITY AND FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (194,784)	\$ (134,231)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	95,314	93,949
Loss on disposal of assets	171,454	-
Increase (decrease) in cash from changes in:		
Grants receivable	(45,157)	36,973
Accounts receivable	75	2,525
Prepaid expenses	1,936	(3,097)
Real property held for sale	(6,299)	(82,572)
Inventory	(7,787)	(4,483)
Accounts payable	(39,390)	(14,785)
Accrued salaries and taxes	37,944	23,868
Accrued vacation	17,266	11,458
Other accrued expenses	427	(8,798)
Net cash provided by (used in) operating activities	30,999	(79,193)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	72,676	30,265
Net proceeds from line of credit	-	200,112
Payments on long-term debt	(78,532)	(65,025)
Net cash provided by (used in) financing activities	(5,856)	165,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	6,052	-
Purchase of property and equipment	(92,637)	(76,459)
Net cash provided by (used in) investing activities	(86,585)	(76,459)
NET INCREASE (DECREASE) IN CASH	(61,442)	9,700
CASH, BEGINNING OF YEAR	198,620	188,920
CASH, END OF YEAR	\$ 137,178	\$ 198,620
Supplemental Disclosures of Cash Flow Information:		
Property purchased with proceeds of notes payable	\$ 50,163	\$ 415,000
Cash paid during the year for interest	\$ 46,134	\$ 30,708

See accompanying notes to financial statements.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

NATURE OF OPERATIONS

Community and Family Services, Inc. (the “Organization”), a Community Action Agency, was established on December 29, 1965, as an Indiana not-for-profit corporation to serve the residents of Northeastern Indiana. The Organization is governed by a volunteer board of directors composed of representatives of the low-income community, representatives of local organizations, and County Commissioners or their representatives from each county. Advisory and policy councils serve to guide the various programs administered by the Organization. The primary goal of Community and Family Services, Inc. is to combat physical, economic, and social causes of poverty and the deterioration of residential and commercial real estate, lessen the burdens of government and improve community economic conditions. The Organization develops and provides opportunities for employment and employment education to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered by the Organization provide opportunities for almost all age groups, particularly those who are low-income and meet program guidelines.

The services of the Organization are extended to the economically disadvantaged in the counties of Adams, Blackford, Huntington, Jay, Randolph and Wells through offices located in the various counties. The headquarters of the Organization is located in Portland, Indiana.

BASIS OF ACCOUNTING

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

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Those tax positions include the Organization maintaining their tax-exempt status and the taxability of any unrelated business income. With few exceptions, the Organization is generally no longer subject to examination by taxing authorities for years before December 31, 2014.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

For the years ended, December 31, 2017 and 2016, the Organization did not have temporarily restricted or permanently restricted net assets.

REVENUE RECOGNITION

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

REVENUE RECOGNITION (continued)

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.

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

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

GRANTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The grants receivable represent amounts the agency has filed claims for the year end and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no allowance is considered necessary.

INVENTORIES

Inventories, which consist primarily of supplies to be used for programs, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

PROPERTY HELD FOR SALE

The Organization purchased two properties in 2015 to rehabilitate and sell. Rehabilitated property is carried at the original purchase price or fair market value at the date of donation, plus the cost of rehabilitation. The Organization will recognize loss when it is determined that the fair value of the property is less than the carrying value.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of five to twenty years. The following is a summary of the lives for each class of asset:

Buildings	20 Years
Building Components	20 Years
Building Improvements	20 Years
Vehicles and equipment	5-10 Years

For the years ended December 31, 2017 and 2016, depreciation expense totaled \$95,314 and \$93,949, respectively.

ACCOUNTING FOR IMPAIRMENT

Accounting for the Impairment or Disposal of Long-Lived Assets guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

USE OF ESTIMATES

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

EXPENSE ALLOCATION

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

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

COST ALLOCATION

The Organization allocates costs to benefiting programs using various allocation methods, depending on the type of cost being allocated. Allocated costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

Personnel: Agency personnel with multiple program duties (Executive Director, Fiscal Officer, financial assistants, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charged to programs.

Supplies: All supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis.

Occupancy Costs: Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated based upon the allocation of the administrative staff's time.

Copy Costs: A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

Insurance: Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

Other Joint Costs: Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based upon usage by each program.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2018, which is the date the financial statements were available to be issued.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 83,352	\$ 83,352
Buildings and components	1,459,594	1,594,626
Vehicles and equipment	<u>563,978</u>	<u>623,044</u>
	2,106,924	2,301,022
Less: accumulated depreciation	<u>(1,125,971)</u>	<u>(1,139,886)</u>
	<u>\$ 980,953</u>	<u>\$ 1,161,136</u>

NOTE 3 – DEBT

During 2013 the Organization obtained a loan from Pacesetter Bank dated January 28, 2013 for the purchase of a building in Hartford City. The original principal amount was \$52,000 and was payable in monthly installments of \$528 including principal and interest. The interest rate was 4.00% and the note, which was secured by real estate, had a maturity date of February 5, 2023. In 2014 the note was refinanced through Citizens State Bank of New Castle with a new principal amount of \$340,000 payable in monthly installments of \$3,445, including principal and interest. The note is secured by real estate, has an interest rate of 4.00% and matures on May 5, 2024. The loan balance as of December 31, 2017 and 2016 was \$228,464 and \$259,778, respectively.

During 2014 the Organization obtained an \$80,000 demand note loan from Citizens State Bank of New Castle dated December 19, 2014. The interest rate is 6% and matured December 19, 2015. The loan was refinanced in January 2016 with an amortization of 20 years, monthly payment of \$554, and interest rate of 5.5%. The note is secured by real estate. The loan balance as of December 31, 2017 and 2016 was \$75,594 and \$77,954, respectively.

During 2016 the Organization obtained a \$30,265 business loan from The Farmers State Bank dated February 17, 2016. The note is collateralized by the trailer and mortgage on Huntington property. The interest rate is 6.5% and matures February 17, 2020. The monthly payments are \$718 and consist of principal and interest. The loan balance as of December 31, 2017 and 2016 was \$17,362 and \$24,589, respectively.

During 2016 the Organization obtained a \$415,000 business loan from The Farmers State Bank dated February 11, 2016. The interest rate is 5.0% and matures February 11, 2026. The monthly payments are \$4,402 and costs of principal and interest. The note was refinanced to \$403,000 in December 2017 with an interest rate of 5.75% and matures December 2037. The loan balances as of December 31, 2017 and 2016 was \$403,000 and \$387,753, respectively.

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 – DEBT (continued)

The Organization refinanced a \$100,620 demand note loan from Citizens State Bank of New Castle in 2017. The note is collateralized by various vehicles. The interest rate is 7% and matures August 2022. Monthly payment is \$1,997. The loan balance as of December 31, 2017 and 2016 was \$94,968 and \$100,620, respectively.

In March 2017 the Organization obtained a \$35,000 promissory note with Citizens State Bank of New Castle to finance coffee shop equipment. The note is collateralized by various vehicles. Monthly payments are \$678 and bear and interest rate of 5%. The loan matures March 2022. The loan balance as of December 31, 2017 was \$30,408.

The future maturities of long-term debt are as follows for the years ended December 31:

<u>Year</u>	<u>Amount</u>
2018	\$ 78,140
2019	82,491
2020	79,700
2021	82,609
2022	72,862
Thereafter	453,995
	<hr style="border-top: 1px solid black;"/>
	849,797
Less loan costs, net	(4,958)
	<hr style="border-top: 1px solid black;"/>
	\$ 844,839
	<hr style="border-top: 3px double black;"/>

NOTE 4 – LINE OF CREDIT

The Organization established a \$100,000 line of credit with Citizens State Bank of New Castle Hartford City on January 29, 2017 with a variable interest rate of prime (3.75% at December 15, 2016) and an expiration date of January 29, 2018. The outstanding balance at December 31, 2017 and 2016 was \$99,492 and \$99,492, respectively. The line of credit was paid in full and not renewed in 2018.

The Organization established another \$100,620 line of credit with Citizens State Bank of New Castle Hartford City on December 28, 2016 with a variable interest rate of prime (6.00% at December 31, 2016). Refer to Note 3 for the refinancing of this demand note to a term note.

NOTE 5 – RETIREMENT PLAN

Community and Family Services, Inc. maintains a Section 401(k) Salary Deferral Plan for their employees, age 21 and older, who work 1,000 hours or more a year. Employees can generally

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

defer a portion of their gross salary into the plan. The employer did not make any contributions for the years ended December 31, 2017 and 2016.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at three financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2017 and 2016. At times throughout the year, the balance in these accounts may exceed these limits. The cash balances at December 31, 2017 and 2016 were fully insured.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 7 – LEASE COMMITMENTS

Community and Family Services, Inc. has several operating leases for office space and equipment. The payments under these leases range from \$84 to \$1,350 per month and expire at various times. The rent expense amounted to \$123,256 and \$106,242 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments at December 31, 2017 under non-cancelable operating leases with initial terms of more than one year are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 50,800
2019	32,820
2020	15,025
2021	13,249
2022	4,358
Thereafter	-
	\$ 116,252

NOTE 8 – LOSS ON CONTRUCTION IN PROCESS

The Organization had been leasing a property with the intention of purchasing and renovating the space for programing and administrative services. Due to environmental issues financing could not be obtained. All accumulated costs in the planning, design, and renovation of the property were written off after the plans were ceased and the lease was terminated.

SINGLE AUDIT SECTION

COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR AGENCY	Federal	Grant or	Grant	
Pass-Through Agency	CFDA	Identifying	Award	Federal
Program Title	Number	Number	(dollars \$)	Expenditures
U.S. Department of Agriculture				
Passed through the Indiana State Department of Health:				
Women Infants and Children	10.557	WIC-569-6	719,479	\$ 555,194
Women Infants and Children	10.557	WIC-569-7	731,452	171,121
Child and Adult Care Food Program	10.558	1380057		192,699
				<u>919,014</u>
U.S. Department of Housing and Urban Development				
Passed through the Indiana Housing & Community				
Development Authority:				
Section 8 Housing Choice Vouchers	14.871	HCV-017-07		792,638
Emergency Shelter Grant	14.231	ES-016-011	23,110	9,580
Emergency Shelter Grant	14.231	ES-017-011	29,064	12,836
				<u>815,054</u>
U.S. Department of Energy				
Passed through the Indiana Housing & Community				
Development Authority:				
Weatherization Assistance for Low-income Persons	81.042	WX-016-004	165,915	86,842
Weatherization Assistance for Low-income Persons	81.042	WX-017-004	234,170	119,959
				<u>206,801</u>
U.S. Department of Health and Human Services				
Direct Program:				
Head Start	93.600	05CH0102380102	1,955,876	1,861,649
Head Start	93.600	05CH0102380203	2,317,239	531,316
				<u>2,392,965</u>
Passed through the Indiana Housing & Community				
Development Authority:				
Low-income Home Energy Assistance	93.568	LI-017-004	1,891,556	1,105,065
Low-income Home Energy Assistance	93.568	LI-018-004	1,653,288	116,733
Low-income Home Energy Assistance	93.568	WL-017-004	419,251	359,711
Low-income Home Energy Assistance	93.568	WL-018-004	298,750	35,833
Individual Development Accounts	93.602	IDA-013-FT-019	42,750	2,897
Community Services Block Grant	93.569	CS-017-004	411,980	388,082
				<u>2,008,321</u>
U.S. Department of Homeland Security				
Passed through the United Way of Jay County				
Emergency Food and Shelter Program	97.024			1,520
Passed through the United Way of Huntington County				
Emergency Food and Shelter Program	97.024			4,132
Passed through Blackford County United Way				
Emergency Food and Shelter Program	97.024			7,600
Passed through United Way of Adams County				
Emergency Food and Shelter Program	97.024			11,078
				<u>24,330</u>
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	IN344	361,418	106,799
Total Expenditures of Federal Awards				<u>\$ 6,473,284</u>

COMMUNITY AND FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community and Family Services, Inc. and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Energy Assistance Payments

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$993,428 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2017.

Note 4 – Indirect Cost Rate

Community and Family Services, Inc. has elected not to use the 10% indirect cost rate allowed under Uniform Guidance.

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

GRANTOR AGENCY Pass-Through Agency Program Title	Grant or Identifying Number	Grant Awards (dollars \$)	State and Local Expenditures
Passed through the Indiana Housing & Community Development Authority:			
Low-income Home Energy Assistance	IR-017-004	91,202	\$ 51,417
Low-income Home Energy Assistance	IR-018-004	85,622	32
Low-income Home Energy Assistance	WS-017-004	28,645	26,679
Low-income Home Energy Assistance	WS-018-004	27,369	6,033
Individual Development Accounts	IDA-013FT-019	42,750	<u>2,897</u>
Total Expenditures of State and Local Awards			<u>\$ 87,058</u>

**COMMUNITY AND FAMILY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2016.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2016.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Community and Family Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes 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 April 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community and Family Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community and Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community and Family Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

April 27, 2018



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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
Community and Family Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Community and Family 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 Community and Family Services, Inc.'s major federal programs for the year ended December 31, 2017. Community and Family 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 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 Community and Family 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community and Family 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 Community and Family Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community and Family 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, 2017.

Report on Internal Control over Compliance

Management of Community and Family 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 Community and Family 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 Community and Family Services, 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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
April 27, 2018

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in
Accordance with 2 CFR section 200.516(a) Yes No

Programs tested as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	U.S. Dept. of Agriculture – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.568	U.S. Dept. of Health and Human Services - Low-Income Home Energy Assistance

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

Auditee qualified as low-risk auditee? Yes No

**COMMUNITY AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2017.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended December 31, 2017.