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June 12, 2018

Board of Directors
Covering Kids & Families of Indiana, Inc.
3737 N. Meridian St., Suite 504
Indianapolis, IN 46208

We have reviewed the report prepared by Covering Kids & Families of Indiana, Inc. and opined upon by Alerding CPA Group, 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 Covering Kids & Families of Indiana, 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, Alerding CPA Group prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

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



FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016



COVERING KIDS & FAMILIES OF INDIANA, INC.

TABLE OF CONTENTS

DECEMBER 31, 2017 AND 2016

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 11



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Covering Kids & Families of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Covering Kids & Families of Indiana, Inc., which comprise 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 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 Covering Kids & Families of Indiana, Inc. as of December 31, 2017 and 2016 and its changes in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blending CPA Group

April 18, 2018

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 157,622	\$ 179,292
Cash held in escrow	500	500
Accounts receivable	859,715	572,832
Prepaid expenses	<u>13,497</u>	<u>29,006</u>
Total current assets	<u>1,031,334</u>	<u>781,630</u>
Website	11,363	33,263
Accumulated depreciation	<u>(3,977)</u>	<u>(1,704)</u>
Website, net	<u>7,386</u>	<u>31,559</u>
Total assets	<u>\$ 1,038,720</u>	<u>\$ 813,189</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 548,674	\$ 335,021
Accrued expenses	<u>47,721</u>	<u>42,155</u>
Total current liabilities	596,395	377,176
Unrestricted Net Assets	<u>442,325</u>	<u>436,013</u>
Total liabilities and net assets	<u>\$ 1,038,720</u>	<u>\$ 813,189</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenue and Support:		
Grants and contracts	\$ 3,615,352	\$ 2,628,552
Contributions	5,295	15,185
Conferences and meetings	79,995	96,625
Interest income and other revenues	696	532
Total revenue and support	<u>3,701,338</u>	<u>2,740,894</u>
Expenses:		
Programs	3,392,921	2,427,296
Management and general	300,642	197,328
Fundraising	1,463	8,824
Total expenses	<u>3,695,026</u>	<u>2,633,448</u>
Change in net assets	6,312	107,446
Unrestricted Net Assets, Beginning of Year	<u>436,013</u>	<u>328,567</u>
Unrestricted Net Assets, End of Year	<u>\$ 442,325</u>	<u>\$ 436,013</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 437,166	\$ 162,885	\$ -0-	\$ 600,051	\$ 570,760
Payroll taxes and benefits	104,022	38,474	-0-	142,496	127,124
Total salaries, taxes and benefits	<u>541,188</u>	<u>201,359</u>	<u>-0-</u>	<u>742,547</u>	<u>697,884</u>
Subgrants	2,226,743	-0-	-0-	2,226,743	1,435,371
Health programs outreach and marketing	360,708	-0-	-0-	360,708	207,502
Office expenses	48,337	17,601	-0-	65,938	45,341
Occupancy	17,164	6,348	-0-	23,512	22,257
Telephone and internet	11,318	4,186	-0-	15,504	15,988
Travel	28,450	10,523	-0-	38,973	32,272
Meetings	65,598	5,008	-0-	70,606	57,388
Professional fees	84,911	31,406	-0-	116,317	83,467
Insurance	2,819	1,043	-0-	3,862	4,514
Advocacy	587	-0-	-0-	587	-0-
Strategic plan	1,825	675	-0-	2,500	21,500
Depreciation expense	2,273	-0-	-0-	2,273	1,704
Loss on disposal of assets	-0-	21,900	-0-	21,900	-0-
Other	1,000	593	1,463	3,056	8,260
Total expenses	<u>\$ 3,392,921</u>	<u>\$ 300,642</u>	<u>\$ 1,463</u>	<u>\$ 3,695,026</u>	<u>\$ 2,633,448</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>
Salaries	\$ 450,187	\$ 119,136	\$ 1,437	\$ 570,760
Payroll taxes and benefits	<u>100,269</u>	<u>26,535</u>	<u>320</u>	<u>127,124</u>
Total salaries, taxes and benefits	550,456	145,671	1,757	697,884
Subgrants	1,435,371	-0-	-0-	1,435,371
Health programs outreach and marketing	207,502	-0-	-0-	207,502
Office expenses	36,251	9,090	-	45,341
Occupancy	17,583	4,674	-0-	22,257
Telephone and internet	12,631	3,357	-0-	15,988
Travel	25,495	6,777	-0-	32,272
Meetings	52,813	4,575	-0-	57,388
Professional fees	65,939	17,528	-0-	83,467
Insurance	3,566	948	-0-	4,514
Strategic plan	16,985	4,515	-0-	21,500
Depreciation expense	1,704	-0-	-0-	1,704
Other	<u>1,000</u>	<u>193</u>	<u>7,067</u>	<u>8,260</u>
Total expenses	<u>\$ 2,427,296</u>	<u>\$ 197,328</u>	<u>\$ 8,824</u>	<u>\$ 2,633,448</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 6,312	\$ 107,446
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,273	1,704
Loss on disposal of asset	21,900	-0-
Changes in operating assets and liabilities:		
Cash held in escrow	-0-	54
Accounts receivable	(286,883)	(69,512)
Prepaid expenses	15,509	(18,921)
Accounts payable	213,653	122,271
Accrued expenses	<u>5,566</u>	<u>(15,549)</u>
Net cash provided by (used in) operating activities	<u>(21,670)</u>	<u>127,493</u>
Cash Flows From Investing Activities:		
Capital expenditures	<u>-0-</u>	<u>(33,263)</u>
Net cash used in investing activities	<u>-0-</u>	<u>(33,263)</u>
Net increase (decrease) in cash	(21,670)	94,230
Cash, Beginning of Year	<u>179,292</u>	<u>85,062</u>
Cash, End of Year	<u>\$ 157,622</u>	<u>\$ 179,292</u>
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	<u>\$ -0-</u>	<u>\$ 1,258</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Covering Kids & Families of Indiana, Inc. (the "Organization") is a not-for-profit corporation organized to assist Indiana children and adults in obtaining and retaining health care coverage. Its operations are supported primarily by grants and contracts with governmental agencies.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following accounts to distinguish among restrictions:

Unrestricted Net Assets

Unrestricted net assets include all contributions received, without donor restrictions, and revenues and expense for the general operation of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions that have donor imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets through the release of restrictions in the Statement of Activities and Changes in Net Assets. There were no temporarily restricted net assets at December 31, 2017 and 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. The primary estimates utilized in the preparation of the financial statements include the collectability of accounts receivable, revenue earned on cost-reimbursement grants, and the reporting of functional expenses among functional categories.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts, if considered necessary. There was no allowance for doubtful accounts as of December 31, 2017 and 2016.

Support and Revenue Recognition

Revenues from cost-reimbursement grants are recognized as the Organization performs the contracted services or incurs expenses eligible for reimbursement under the grant agreement. Grant activities are subject to audit and acceptance by the granting agency and, as a result of such an audit, adjustments could be required.

The Organization records unconditional promises to give at the date the promise is received. The gifts are reported as unrestricted support or as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. There were no temporarily restricted contributions received during 2017 and 2016.

Functional Expenses

Expenses are classified as Programs, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel or other rational basis of allocation.

Donated Materials and Services

Donated materials and services are recorded as in-kind donations at the estimated fair value at the date of receipt.

Website and Depreciation

The Organization's website is recorded at cost and is depreciated over its estimated useful life using the straight-line method of depreciation.

Advertising

Advertising costs are expensed as incurred and relate to promoting the Organization's programs through its local coalitions. Advertising expense was \$156,668 and \$60,899 for the years December 31, 2017 and 2016, respectively.

Income Taxes

The Organization is organized as an Indiana not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purposes of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2017, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2014.

Subsequent Events

Subsequent events have been evaluated through April 18, 2018, which is the date the financial statements were available for issuance.

2. LINE OF CREDIT

The Organization has \$150,000 of available borrowings under a line of credit agreement with a bank which expires on February 28, 2019, at which time it is subject to renewal. Interest on outstanding borrowings is payable monthly at 5%, and borrowings are secured by substantially all assets of the Organization. There were no outstanding borrowings on the line of credit as of December 31, 2017 and 2016.

3. OPERATING LEASE

The Organization leases two office facilities and office equipment under the terms of operating leases requiring monthly payments aggregating \$2,303 as of December 31, 2017, including one facility that is leased on a month-to-month basis. The leases expire at various dates through November 2022. The future minimum lease payments due under the terms of the operating leases are as follows:

<u>December 31,</u>	
2018	\$ 15,122
2019	2,847
2020	2,847
2021	2,597
2022	<u>1,122</u>
	<u>\$ 24,535</u>

Total lease expense was \$25,235 and \$22,381 for the years ended December 31, 2017 and 2016, respectively.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

4. EMPLOYEE BENEFITS PLANS

The Organization maintains a Simple Employee Pension (SEP) plan for all eligible employees. Full-time employees become eligible for the plan immediately upon being hired. The Organization made contributions to the plan equal to 6% of employee wages for the years ended December 31, 2017 and 2016. The Organization's contributions totaled \$35,957 and \$34,135 for the years ended December 31, 2017 and 2016, respectively.

The Organization also maintains certain health insurance benefits which require funds to be held in escrow in order to secure the payment of future claims. Cash held in escrow was \$500 at December 31, 2017 and 2016.

5. COMMITMENTS AND CONTINGENCIES

The Organization has entered into a contractual agreement with a hotel for the Organization's annual conference in June 2018. Under the agreement, should the Organization cancel its reservation prior to the annual conference, the Organization would owe cancellation fees of \$40,000 to the hotel.

6. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

As of December 31, 2017 and for the year then ended, one (1) grantor represented approximately 100% of accounts receivable and 100% of grant and contract revenues.

As of December 31, 2016 and for the year then ended, one (1) grantor represented 99% of accounts receivable and 100% of grant and contract revenues.