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July 9, 2018

Board of Directors  
Family Centered Services, Inc.  
1515 Sutton Circle Drive N  
Bluffton, IN 46714

We have reviewed the report prepared by Family Centered Services, Inc. and opined upon by Bollenbacher & Associates, LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Family Centered Services, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Bollenbacher & Associates, LLC 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

**FAMILY CENTERED SERVICES, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2016  
and December 31, 2015**

Family Centered Services, Inc.

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Ballenbacher & Associates, LLC

Certified Public Accountants

Board of Directors  
Family Centered Services, Inc.  
Bluffton, Indiana 46714

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Family Centered Services, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

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Board of Directors  
Family Centered Services, Inc.  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Centered Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bollenbacher & Associates, LLC*

Portland, Indiana  
May 5, 2017

Family Centered Services, Inc.

Statements of Financial Position

December 31, 2016 and December 31, 2015

	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents:		
Unrestricted	\$ 182,710	\$ 371,903
Temporarily restricted	47,338	2,503
Grants receivable	94,538	56,267
Pledges receivable, net of allowance for pledges of \$2,292 and \$0, respectively	214,445	-
Inventory	13,625	13,317
Prepaid expenses	5,937	4,905
Total current assets	<u>558,593</u>	<u>448,895</u>
<u>Property and Equipment:</u>		
Building and improvements	462,378	-
Machinery and equipment	23,183	23,734
Less: Accumulated depreciation	<u>(16,960)</u>	<u>(21,491)</u>
Total property and equipment	<u>468,601</u>	<u>2,243</u>
<u>Other Assets:</u>		
Assets held for sale	32,000	-
Deposit on utilities	975	-
Beneficial interest in assets held by others (including permanently restricted balance of \$312,487 and \$167,300, respectively)	<u>326,627</u>	<u>174,994</u>
Total other assets	<u>359,602</u>	<u>174,994</u>
Total assets	<u>\$1,386,796</u>	<u>\$ 626,132</u>

- See Accompanying Notes -

Family Centered Services, Inc.Statements of Financial PositionDecember 31, 2016 and December 31, 2015Liabilities and Net Assets

	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 31,815	\$ 28,840
Accrued expenses	32,586	28,127
Deferred revenue	-	30,395
Notes payable - Current portion	<u>13,547</u>	<u>-</u>
Total current liabilities	<u>77,948</u>	<u>87,362</u>
 <u>Non-Current Liability:</u>		
Notes payable, net of current portion	<u>248,953</u>	<u>-</u>
Total liabilities	<u>326,901</u>	<u>87,362</u>
 <u>Net Assets:</u>		
Unrestricted net assets	485,625	368,967
Temporarily restricted net assets	261,783	2,503
Permanently restricted net assets	<u>312,487</u>	<u>167,300</u>
Total net assets	<u>1,059,895</u>	<u>538,770</u>
Total liabilities and net assets	<u>\$ 1,386,796</u>	<u>\$ 626,132</u>

- See Accompanying Notes -

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2016 and December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Support, Revenue, and Reclassifications:</u>		
Contributions	\$ 113,638	\$ 384,980
United Way	34,575	-
Grants - Federal	270,656	-
Grants - State and local	220,112	-
Fundraising events	40,824	-
Program services fees	1,488	-
Interest income	2,845	-
Gain (loss) on investments	6,446	-
Gain (loss) on sale of assets	(333)	-
Other income	9,935	-
The Closet (net of cost of \$19,349 and \$13,911, respectively)	32,118	-
Net assets released from restrictions and transfers between classes of net assets	<u>125,700</u>	<u>(125,700)</u>
Total support and revenue	<u>858,004</u>	<u>259,280</u>
<u>Expenses:</u>		
Program services:		
Families in Transition	10,042	-
Family Preservation	11,596	-
Healthy Families	291,069	-
The Closet	26,030	-
Students On Suspension	78,780	-
Mentor Moms	47,808	-
Teen Court	62,498	-
Network	86,891	-
Other youth programs	<u>35,317</u>	<u>-</u>
Total program services	<u>650,031</u>	<u>-</u>
Support services:		
General and administrative	64,360	-
Fundraising	<u>26,955</u>	<u>-</u>
Total support services	<u>91,315</u>	<u>-</u>
Total expenses	<u>741,346</u>	<u>-</u>

- See Accompanying Notes -



Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2016 and December 31, 2015

<u>Permanently Restricted</u>	<u>Total All Classes 2016</u>	<u>Total All Classes 2015</u>
\$ 145,187	\$ 643,805	\$ 247,070
-	34,575	32,600
-	270,656	290,881
-	220,112	230,582
-	40,824	40,909
-	1,488	828
-	2,845	255
-	6,446	(2,462)
-	(333)	-
-	9,935	2,905
-	32,118	4,399
-	-	-
<u>145,187</u>	<u>1,262,471</u>	<u>847,967</u>
-	10,042	12,942
-	11,596	27,882
-	291,069	272,516
-	26,030	22,263
-	78,780	81,567
-	47,808	50,864
-	62,498	61,504
-	86,891	73,412
-	35,317	11,373
-	<u>650,031</u>	<u>614,323</u>
-	64,360	38,695
-	26,955	24,828
-	<u>91,315</u>	<u>63,523</u>
-	<u>741,346</u>	<u>677,846</u>

- See Accompanying Notes -

Family Centered Services, Inc.Statements of ActivitiesFor the Years Ended December 31, 2016 and December 31, 2015(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Changes in Net Assets</u>	116,658	259,280
<u>Net Assets - Beginning</u>	<u>368,967</u>	<u>2,503</u>
<u>Net Assets - Ending</u>	<u>\$ 485,625</u>	<u>\$ 261,783</u>

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2016 and December 31, 2015

(Continued)

<u>Permanently Restricted</u>	<u>Total All Classes 2016</u>	<u>Total All Classes 2015</u>
145,187	521,125	170,121
<u>167,300</u>	<u>538,770</u>	<u>368,649</u>
<u>\$ 312,487</u>	<u>\$ 1,059,895</u>	<u>\$ 538,770</u>

Family Centered Services, Inc.Statement of Functional ExpensesFor the Year Ended December 31, 2016

	Program Services					
	Families in Transition	Family Preservation	Healthy Families	The Closet	Students On Suspension	Mentor Moms
Salaries	\$ 6,138	\$ 6,915	\$ 212,619	\$ 12,220	\$ 61,423	\$ 37,808
Employee benefits	-	500	3,000	500	1,500	500
Payroll taxes	420	340	16,543	845	4,271	2,963
Total salaries and related expenses	6,558	7,755	232,162	13,565	67,194	41,271
Occupancy	109	1,038	5,883	5,719	3,885	1,635
Travel	-	911	17,048	314	-	15
Supplies	242	209	3,955	151	708	415
Program expenses	2,272	-	3,684	5,055	1,126	1,088
Professional fees	49	463	5,506	136	929	708
Telephone	106	130	1,168	39	224	183
Insurance	178	356	4,239	68	775	436
Other	82	149	2,163	228	292	242
Training	72	61	2,354	552	417	583
Dues and subscriptions	23	-	2,923	-	1,772	22
Postage	92	72	854	56	140	148
Equipment	74	91	5,488	35	625	698
Client assistance	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenses before depreciation	9,857	11,235	287,427	25,918	78,087	47,444
Depreciation	185	361	3,642	112	693	364
Total expenses	\$ 10,042	\$ 11,596	\$ 291,069	\$ 26,030	\$ 78,780	\$ 47,808

Family Centered Services, Inc.Statement of Functional ExpensesFor the Year Ended December 31, 2016

Program Services				Support Services			
Teen Court	Network	Other Youth Programs	Total Program Services	General and Administrative	Fund Raising	Total Support Services	Total Expenses
\$ 48,328	\$ 58,122	\$ 24,176	\$467,749	\$ 32,396	\$ 21,597	\$ 53,993	\$521,742
1,000	1,500	-	8,500	-	-	-	8,500
3,603	3,800	1,924	34,709	1,641	1,094	2,735	37,444
52,931	63,422	26,100	510,958	34,037	22,691	56,728	567,686
1,799	3,709	437	24,214	4,586	-	4,586	28,800
1,249	7,333	631	27,501	272	92	364	27,865
517	679	284	7,160	-	-	-	7,160
446	328	3,019	17,018	-	-	-	17,018
665	950	94	9,500	-	-	-	9,500
242	215	35	2,342	-	-	-	2,342
749	1,364	124	8,289	1,428	-	1,428	9,717
307	394	130	3,987	915	12	927	4,914
510	536	4,160	9,245	488	-	488	9,733
1,772	22	-	6,534	7	-	7	6,541
171	231	121	1,885	-	-	-	1,885
576	1,189	75	8,851	19,580	-	19,580	28,431
-	5,869	-	5,869	-	-	-	5,869
-	-	-	-	-	4,160	4,160	4,160
-	-	-	-	2,292	-	2,292	2,292
-	-	-	-	755	-	755	755
61,934	86,241	35,210	643,353	64,360	26,955	91,315	734,668
564	650	107	6,678	-	-	-	6,678
<u>\$ 62,498</u>	<u>\$ 86,891</u>	<u>\$ 35,317</u>	<u>\$650,031</u>	<u>\$ 64,360</u>	<u>\$ 26,955</u>	<u>\$ 91,315</u>	<u>\$741,346</u>

- See Accompanying Notes -

Family Centered Services, Inc.Statement of Functional ExpensesFor the Year Ended December 31, 2015

	Program Services					
	Families in Transition	Family Preservation	Healthy Families	The Closet	Students On Suspension	Mentor Moms
Salaries	\$ 8,933	\$ 20,542	\$ 204,659	\$ 8,465	\$ 64,981	\$ 41,049
Employee benefits	-	500	3,000	500	1,500	500
Payroll taxes	689	1,031	15,160	606	4,706	2,931
Total salaries and related expenses	9,622	22,073	222,819	9,571	71,187	44,480
Occupancy	-	1,175	5,532	6,600	4,200	1,715
Travel	-	1,737	14,326	220	-	635
Supplies	123	319	3,914	150	345	325
Program expenses	2,505	98	1,447	4,525	104	641
Professional fees	94	980	3,887	8	793	851
Telephone	99	111	1,380	38	322	52
Insurance	178	356	4,157	68	775	438
Other	40	166	1,867	172	299	350
Training	-	155	2,027	-	299	94
Dues and subscriptions	10	21	2,774	10	1,785	22
Postage	53	109	745	30	121	123
Equipment	191	458	7,086	853	1,240	1,019
Client assistance	-	25	20	-	-	50
Fundraising	-	-	-	-	-	-
Bad debt	-	38	-	-	-	-
Interest	-	-	-	-	-	-
Total expenses before depreciation	12,915	27,821	271,981	22,245	81,470	50,795
Depreciation	27	61	535	18	97	69
Total expenses	\$ 12,942	\$ 27,882	\$ 272,516	\$ 22,263	\$ 81,567	\$ 50,864

Family Centered Services, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2015

Program Services				Support Services			
Teen Court	Network	Other Youth Programs	Total Program Services	General and Administrative	Fund Raising	Total Support Services	Total Expenses
\$ 48,470	\$ 48,307	\$ 8,220	\$ 453,626	\$ 28,305	\$ 18,870	\$ 47,175	\$500,801
1,000	1,500	-	8,500	-	-	-	8,500
3,670	3,260	577	32,630	1,762	1,175	2,937	35,567
53,140	53,067	8,797	494,756	30,067	20,045	50,112	544,868
1,715	3,953	410	25,300	-	-	-	25,300
909	4,078	190	22,095	28	-	28	22,123
386	354	187	6,103	40	-	40	6,143
235	432	1,263	11,250	-	-	-	11,250
998	982	7	8,600	100	500	600	9,200
79	198	-	2,279	-	-	-	2,279
749	1,363	124	8,208	303	-	303	8,511
339	438	119	3,790	4,169	114	4,283	8,073
284	592	6	3,457	-	-	-	3,457
1,808	23	10	6,463	-	-	-	6,463
125	177	69	1,552	446	-	446	1,998
645	1,885	173	13,550	792	-	792	14,342
-	5,775	-	5,870	2,750	-	2,750	8,620
-	-	-	-	-	4,169	4,169	4,169
-	-	-	38	-	-	-	38
-	-	-	-	-	-	-	-
61,412	73,317	11,355	613,311	38,695	24,828	63,523	676,834
92	95	18	1,012	-	-	-	1,012
<u>\$ 61,504</u>	<u>\$ 73,412</u>	<u>\$ 11,373</u>	<u>\$ 614,323</u>	<u>\$ 38,695</u>	<u>\$ 24,828</u>	<u>\$ 63,523</u>	<u>\$677,846</u>

- See Accompanying Notes -

Family Centered Services, Inc.Statements of Cash FlowsFor the Years Ended December 31, 2016 and December 31, 2015

	<u>2016</u>	<u>2015</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in net assets	\$ 521,125	\$ 170,121
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	6,678	1,012
Present value adjustment for pledges receivable	12,508	-
Allowance for doubtful accounts	2,292	-
(Gain) loss on investments, net	(6,446)	2,462
In-kind contributions	(32,000)	-
(Gain) loss on disposal of assets	333	-
Contributions - Temporarily restricted	(383,404)	-
Contributions - Permanently restricted	(145,187)	(139,833)
(Increase) decrease in assets:		
Inventory	(308)	(4,951)
Pledges receivable	(229,245)	-
Grants receivable	(38,271)	17,041
Prepaid expenses	(1,032)	(88)
Other assets	(975)	-
Increase (decrease) in liabilities:		
Accounts payable	2,975	(996)
Accrued expenses	4,459	7,028
Deferred revenue	(30,395)	22,195
Total adjustments	<u>(838,018)</u>	<u>(96,130)</u>
Net cash flow provided (used) by operating activities	<u>(316,893)</u>	<u>73,991</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Payments - Property and equipment purchases	(473,369)	(1,141)
Change in restricted assets	<u>(44,835)</u>	<u>13,396</u>
Net cash flow provided (used) by investing activities	<u>(518,204)</u>	<u>12,255</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Proceeds - Contributions - Temporarily restricted	383,404	-
Proceeds - Contributions - Permanently restricted	145,187	139,833
Proceeds - Notes payable	262,500	-
Payments - Endowment	<u>(145,187)</u>	<u>(155,000)</u>
Net cash flow provided (used) by financing activities	<u>645,904</u>	<u>(15,167)</u>

- See Accompanying Notes -



Family Centered Services, Inc.Statements of Cash FlowsFor the Years Ended December 31, 2016 and December 31, 2015(Continued)

	<u>2016</u>	<u>2015</u>
Net increase (decrease) in cash and cash equivalents	(189,193)	71,079
Cash and cash equivalents - Beginning	<u>371,903</u>	<u>300,824</u>
Cash and cash equivalents - Ending	<u>\$ 182,710</u>	<u>\$ 371,903</u>
<u>Supplemental Cash Flow Information</u>		
Interest paid	<u>\$ 755</u>	<u>\$ -</u>

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2016 and December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF ACTIVITIES** - Family Centered Services, Inc. is an Indiana not-for-profit organization incorporated on December 28, 1990. Its mission is to provide compassionate, respectful and innovative services which strengthen and support families and their communities. The Organization is a voluntary health and welfare organization that provides parenting, mentoring, and youth service programs for families and children in northeast Indiana.

**BASIS OF ACCOUNTING** - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**BASIS OF PRESENTATION** - The Organization presents its financial statements in accordance with FASB *Accounting Standards Codification 958, Financial Statements of Not-for-Profit Organizations*. Under this standard, 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. The Organization has presented its net assets according to the requirements of the statement. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

**PROMISES-TO-GIVE** - Unconditional promises-to-give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises-to-give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**CASH AND CASH EQUIVALENTS** - For purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**PLEDGES RECEIVABLE AND UNCOLLECTIBLES** - Pledges receivable is recorded at cost at the time of their occurrence. The Organization does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Organization writes off the receivable and reduces the allowance for doubtful accounts. The Organization usually determines when a pledge is totally uncollectible by estimating whether any payments will ever be received. A provision for uncollectible pledges of \$2,292 and \$0 has been recorded in the financial statements for the year ended December 31, 2016 and 2015, respectively. These amounts reflect management's assessment of estimated uncollectible pledges based on historical analysis of collections and past due amounts. The Organization does not require any collateral relating to any type of receivables.

**SUPPORT AND REVENUE** - All service revenues are considered to be available for unrestricted use and are recorded as revenue in the period earned.

**CONTRIBUTIONS** - Contributions, including grants, that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same period are reported as unrestricted support and increase unrestricted net assets.

**FIXED ASSETS** - Property and equipment are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation is computed using the straight-line method over estimated useful lives. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500 and a useful life in excess of one year. Depreciation expense for the years ended December 31, 2016 and 2015, totaled \$6,678 and \$1,012, respectively.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2016 and December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**FUNCTIONAL ALLOCATION OF EXPENSES** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**INVESTMENTS** - The Organization records marketable equity securities with readily determinable fair values and all debt securities at their fair-market values. Investment gains and losses (both realized and unrealized) are reported in the statement of activities as increases or decreases to unrestricted net assets.

**ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INCOME TAXES** - Family Centered Services, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, Family Centered Services, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2016, the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

The Organization's information returns are subject to examination, generally for three years after the filing date.

There was no unrelated business income for the years ended December 31, 2016 and 2015.

**DONATED MATERIALS AND SERVICES** - Donated materials and equipment are not reflected in the statements as of December 31, 2016 and 2015 since the amounts received are immaterial. No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services.

**ADVERTISING COSTS** - Advertising costs are charged to operations as incurred. Advertising expenses in the amount of \$2,918 and \$3,975 were incurred by the Organization to promote its programs among the Wells and Huntington County communities for the years ended December 31, 2016 and 2015, respectively.

Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 2 - PROGRAM SERVICES

Family Centered Services, Inc. is a private, not-for-profit agency providing delinquency prevention and parenting support services to families and children. The Organization was incorporated in 1990 and offers 10 programs, delivering services to over 1,000 families and youth.

Family Preservation - Its mission is to provide effective services that build, restore, and maintain families. Through counseling, education, and support, families learn to solve their problems and thus reduce their chances of having a child placed out of their homes. With home-based casework, practitioners spend a minimum of one hour weekly in the home of each family. The program is aimed at remedying abuse and neglect. The Network for Safe Families component of this program offers parents help with situations that are interfering with their ability to manage their families.

Families in Transition - Its mission is to help parents understand the importance of working together to minimize the impact of divorce on their children. This is a court-mandated program for both Adams and Wells counties. Its purpose is to focus on ways parents can reduce the effects of the divorce on their children, how to effectively reassure their children as they adjust to the changes in their lives, as well as understand their own feelings of loss and grief.

Healthy Families - Healthy Families is a voluntary program whose mission is to promote supportive environments that optimize child growth and development and encourage resilient, healthy families. The program seeks to service families through systematically identifying overburdened parents and supporting them with intensive home visitation. Services are designed to enhance family functioning, promote positive child development, and promote positive parent-child interaction through building trusting relationships based on family strengths.

Mentor Moms - The mission of the Mentor Moms Program is to offer support, education, and friendship to young mothers. It strives to encourage positive parenting skills by matching moms with mentors who are trained, supervised, and supported. The program addresses in a very personal and supportive way the crucial need for at-risk moms to have support and encouragement in raising a child. It aims to help young mothers explore new options, problem-solve, and make life-affirming goals and choices for her and her child.

Teen Court - The Wells County Teen Court program is a diversion program that holds juveniles accountable for their actions while reducing the caseload of local courts and probation officers. The program provides education, training, and "hands-on" participation for youth volunteers and promotes respect for the rule of the law. The program increases appreciation for the legal system in both offenders and volunteers. There are two additional components of this program. S.I.G.N.A.L.S. is a substance abuse awareness, prevention, intervention, and education program that helps teens learn the importance of making responsible, mature, and informed decisions. D.E.T.O.U.R.S. is a character education program that focuses on emotional self-control, bullying, common courtesy and dangerous decisions.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2016 and December 31, 2015

NOTE 2 - PROGRAM SERVICES (continued)

Students On Suspension - The mission of the program is to provide a safe, structured, and educational environment for Wells County students as an alternative to out-of-school suspensions. The program allows the student to continue his/her education while holding the student accountable for his/her behavior. The students are able to complete their school work, while remaining in a supervised, structured, and supportive environment.

Youth as Resources - The program's goal is to inspire and instill excellence in youth through the provision of grants, written and approved by youth, for the purpose of community improvement. Youth as Resources promotes learning life-long skills and engages youth to bring positive changes to their community and improve the lives of others.

The Closet - This program assists families in the community by providing free clothing and necessities for infants and preschool aged children. The Closet is a non-intimidating environment that respects the dignity of those in the community who need assistance.

Network - The mission of this program is to provide home-based case management services to connect families to resources that strengthen the family and prevents child abuse and neglect.

Systems of Care - The mission of this program is to building meaningful partnerships amount community-based systems to better serve children and their families in Wells County.

NOTE 3 - EMPLOYEE BENEFIT PLAN

As of January 1, 2010, the Organization began to offer a 403(b) plan for all eligible employees. Under the 403(b) plan, the Organization does not offer an employer match to contributions made by employees. The Organization from time to time will make contributions to employee's 403(b) plans. For the years ending December 31, 2016 and 2015, the Organization contributed \$8,500 and \$8,500, respectively.

NOTE 4 - CAFETERIA PLAN

As of January 1, 2015, the Organization adopted a Section 125 cafeteria plan. This plan allows employees to elect to receive certain employee benefits with pre-tax dollars.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2016 and December 31, 2015

NOTE 5 - NET ASSETS

Temporarily restricted net assets consist of contributions from individuals and organizations that are to be used for a specific purpose. Temporarily restricted net assets totaled \$261,783 and \$2,503 as of December 31, 2016 and 2015, respectively.

Permanently restricted net assets are to be held for endowment purposes. Income derived from the endowment is available for the general operations of the Organization. Permanently restricted net assets totaled \$312,487 and \$167,300 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the Organization had no uninsured balances at the bank. These balances are included in cash and cash equivalents on the statement of financial position.

Further, the Organization maintained a pledge receivable from a donor totaling \$120,000 which is 52% of the total outstanding pledge balance at December 31, 2016. There were no outstanding pledges as of December 31, 2015.

Additionally, the Organization receives substantial support from the federal government. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. Claims for federally supported programs are filed and reimbursed on a monthly basis.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest represents funds held by the Wells County Community Foundation totaling \$326,627 and \$174,994 for the years ended December 31, 2016 and 2015, respectively.

These funds are reported at carrying value on the statements of financial position. Investment income earned on this endowment consisted of \$3,449 and \$703 of interest and dividend income for the years ended December 31, 2016 and 2015, respectively. Additionally the endowment created \$4,720 and \$(2,792) of net unrealized/realized gains (losses) and incurred \$1,723 and \$374 of operating fees for the years ended December 31, 2016 and 2015, respectively. The net investment activity is reported under support and revenue on the statements of activities as gain (loss) on investments.

Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)

Contributions to the endowment totaling \$145,187 and \$139,833 for the years ended December 31, 2016 and 2015, respectively are under support and revenue on the statement of activities as permanently restricted contributions. Furthermore, contributions of \$15,167 from the year ending December 31, 2015 were deposited into the endowment during 2015.

The Organization's endowment fund consisted of the following for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,694	\$ -	\$ 167,300	\$ 174,994
Investment return:				
Investment income	3,449	-	-	3,449
Net depreciation (realized and unrealized)	4,720	-	-	4,720
Total investment return	8,169	-	-	8,169
Contributions	-	-	145,187	145,187
Appropriation of endowment assets for expenditure	(1,723)	-	-	(1,723)
Endowment net assets, end of year	<u>\$ 14,140</u>	<u>\$ -</u>	<u>\$ 312,487</u>	<u>\$ 326,627</u>

The Organization's endowment fund consisted of the following for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,157	\$ -	\$ 12,300	\$ 22,457
Investment return:				
Investment income	703	-	-	703
Net depreciation (realized and unrealized)	(2,792)	-	-	(2,792)
Total investment return	(2,089)	-	-	(2,089)
Contributions	-	-	155,000	155,000
Appropriation of endowment assets for expenditure	(374)	-	-	(374)
Endowment net assets, end of year	<u>\$ 7,694</u>	<u>\$ -</u>	<u>\$ 167,300</u>	<u>\$ 174,994</u>



Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)

Additionally, the Organization has funds held by the Wells County Community Foundation for the benefit of the Organization. The values totaled \$7,913 and \$16,575 for the years ended December 31, 2016 and 2015, respectively. The Foundation retains variance power over these funds. Accordingly, these funds are not recorded as assets to the Organization. The Organization received distributions totaling \$9,000 and \$2,700 for the years ended December 31, 2016 and 2015, respectively.

NOTE 8 - PLEDGES RECEIVABLE

For the year ending December 31, 2016, donors made pledges over the next five years to the Organization to be used as follows:

	<u>12/31/17</u>	<u>12/31/18</u>	<u>12/31/19</u>	<u>12/31/20</u>	<u>12/31/21</u>	<u>Thereafter</u>	<u>Total</u>
Capital Campaign	\$ 89,896	\$ 79,349	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ 229,245
Less: Discount at 3%	<u>(2,325)</u>	<u>(4,492)</u>	<u>(2,477)</u>	<u>(3,214)</u>	<u>-</u>	<u>-</u>	<u>(12,508)</u>
Total	<u>\$ 87,571</u>	<u>\$ 74,857</u>	<u>\$ 27,523</u>	<u>\$ 26,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,737</u>

For the year ending December 31, 2015, there were no outstanding pledges receivable.

NOTE 9 - NOTES PAYABLE

The Organization carried the following loans at December 31, 2016:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Notes payable - Youth for Christ. The note is dated June 27, 2016, and requires monthly principal and interest payments, of \$1,876.57. The note carries an interest rate of 3.5%. The note is due July 1, 2019 with a balloon payment of \$175,172 due at the maturity of the loan. The note is secured by a mortgage on the real estate.	\$ 13,547	\$ 248,953
Total	<u>\$ 13,547</u>	<u>\$ 248,953</u>

Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 9 - NOTES PAYABLE (continued)

The following maturities apply at December 31, 2016 and thereafter:

2017	\$13,547
2018	14,029
2019	234,924
Total	<u>\$262,500</u>

NOTE 10 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2016:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Support &amp; Revenue</u>
State of Indiana - Healthy Families	\$270,656	21%
Pledge donor	\$150,000	12%
Scan, Inc.	\$139,557	11%

Significant amounts of income were recorded from the following sources during the year ended December 31, 2015:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Support &amp; Revenue</u>
State of Indiana - Healthy Families	\$291,692	34%
Scan, Inc.	\$155,933	18%

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Family Centered Services, Inc.Notes to the Financial StatementsDecember 31, 2016 and December 31, 2015NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Organization's financial instruments at December 31, 2016, none of which are held for trading purposes, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Endowment fund	\$ 326,627	\$ -	\$ -	\$ 326,627
Total assets at fair value	<u>\$ 326,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,627</u>

The estimated fair values of the Organization's financial instruments at December 31, 2015, none of which are held for trading purposes, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Endowment fund	\$ 174,994	\$ -	\$ -	\$ 174,994
Total assets at fair value	<u>\$ 174,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,994</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Organization did not have any related party transactions.

NOTE 13 - ASSETS HELD FOR SALE

During the year ending December 31, 2016, the Organization received a donation of a building. Subsequently, the Organization held an auction to sell the donated building. As of December 31, 2016, the auction sale of the building was not finalized.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2016 and December 31, 2015

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred between January 1, 2017 and May 5, 2017, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No subsequent events were noted by the Organization.