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July 27, 2018


Board of Directors
Janus Developmental Services, Inc.
1555 Westfield Rd.
Noblesville, IN 46062

We have reviewed the report prepared by Janus Developmental Services, Inc. and opined upon by Kemper CPA Group LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition Janus Developmental 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.

We call your attention to the findings in the report on pages 17 through 18. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. The Corrective Action Plan for current year findings is on page 20.

In our opinion, Kemper CPA Group LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

JANUS DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Janus Developmental Services, Inc.
Noblesville, Indiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of Janus Developmental Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Janus Developmental Services, Inc.'s internal control over financial reporting and compliance.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

Champaign, Illinois

June 12, 2017

JANUS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

| <u>ASSETS</u> | |
|--------------------------------------|--------------------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 837,208 |
| Receivables: | |
| Fees and grants | 365,112 |
| Trade and other | 47,972 |
| Inventory | 11,468 |
| Prepaid insurance and other expenses | 76,011 |
| TOTAL CURRENT ASSETS | <u>1,337,771</u> |
| NONCURRENT ASSETS | |
| Land | 774,075 |
| Construction in process | 1,475 |
| Buildings | 1,917,653 |
| Equipment | 316,583 |
| Vehicles | 1,321,133 |
| Less: accumulated depreciation | (1,789,736) |
| TOTAL NONCURRENT ASSETS | <u>2,541,183</u> |
| TOTAL ASSETS | <u><u>\$ 3,878,954</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 145,244 |
| Accrued expenses | 126,366 |
| Deferred revenue | 37,603 |
| Current portion of long-term debt | 43,658 |
| Other current liabilities | 4,672 |
| TOTAL CURRENT LIABILITIES | <u>357,543</u> |
| NONCURRENT LIABILITIES | |
| Long-term debt, less current portion | <u>356,342</u> |
| TOTAL LIABILITIES | <u>713,885</u> |
| NET ASSETS | |
| Unrestricted | <u>3,165,069</u> |
| TOTAL NET ASSETS | <u>3,165,069</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 3,878,954</u></u> |

JANUS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|--|---------------------|
| SUPPORT AND REVENUE | |
| Grants | \$ 2,271,530 |
| Fees for services | 962,182 |
| Contributions | 77,312 |
| In-kind contributions | 2,500 |
| HCE fares & passes | 308,123 |
| HCE bus advertising | 66,173 |
| Interest | 4,063 |
| Special events (net of direct costs of \$17,608) | 73,378 |
| Sales of goods and services | 272,857 |
| Gain on disposal of fixed assets | 9,100 |
| Rental income | 25,761 |
| Miscellaneous | 30,609 |
| TOTAL SUPPORT AND REVENUE | <u>4,103,588</u> |
| EXPENSES | |
| Program services | |
| Doorways Training | 258,304 |
| Community Employment | 299,600 |
| Work Experience | 1,015,091 |
| Hamilton Co. Express | 1,436,886 |
| Janus Transportation | 197,674 |
| | <u>3,207,555</u> |
| Management and general | 464,228 |
| Fundraising | 174,506 |
| TOTAL EXPENSES | <u>3,846,289</u> |
| CHANGE IN NET ASSETS | 257,299 |
| Net Assets, Beginning | <u>2,907,770</u> |
| Net Assets, Ending | <u>\$ 3,165,069</u> |

JANUS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Programs | | | | | Supporting Services | | |
|--|---------------------|-------------------|----------------------|---------------------|----------------------|---------------------------------|------------------------|-------------------|
| | Total Agency | Doorways Training | Community Employment | Work Experience | Hamilton Co. Express | Janus Contracted Transportation | Management and General | Fundraising |
| Staff salaries and wages | \$ 2,146,282 | \$ 160,234 | \$ 188,216 | \$ 552,943 | \$ 802,514 | \$ 102,629 | \$ 249,049 | \$ 90,697 |
| Benefits | 619,509 | 35,375 | 52,049 | 162,237 | 219,521 | 31,135 | 87,373 | 31,819 |
| Professional and contractual | 189,080 | 11,994 | 11,456 | 27,095 | 48,768 | 7,968 | 59,962 | 21,837 |
| Occupancy | 107,663 | 11,038 | 15,572 | 11,610 | 32,958 | 9,822 | 20,028 | 6,635 |
| Vehicles, equipment, and supplies | 230,303 | 4,755 | 2,513 | 12,630 | 174,822 | 17,071 | 13,570 | 4,942 |
| Travel, meals, and events | 34,423 | 1,045 | 19,188 | 3,163 | 1,817 | 344 | 6,499 | 2,367 |
| Business and professional development | 28,832 | 418 | 1,594 | 1,702 | 2,889 | 325 | 10,903 | 11,001 |
| Insurance | 49,438 | 3,972 | 2,923 | 3,927 | 30,514 | 5,266 | 2,079 | 757 |
| Advertising | 13,883 | 797 | 808 | 1,004 | 7,095 | 1,805 | 1,740 | 634 |
| Miscellaneous | 13,022 | 275 | 728 | 1,621 | 4,201 | 342 | 4,304 | 1,551 |
| Cost of goods and services | 178,323 | 345 | - | 177,978 | - | - | - | - |
| Grant-funded supplies and other expenses | 22,588 | 19,671 | 1,683 | 1,234 | - | - | - | - |
| In-kind expenses | 2,500 | - | - | - | - | - | 2,500 | - |
| Depreciation | 210,443 | 8,385 | 2,870 | 57,947 | 111,787 | 20,967 | 6,221 | 2,266 |
| Total Expenses | \$ 3,846,289 | \$ 258,304 | \$ 299,600 | \$ 1,015,091 | \$ 1,436,886 | \$ 197,674 | \$ 464,228 | \$ 174,506 |

JANUS DEVELOPMENTAL SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|---|-------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 257,299 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 210,443 |
| (Gain)/loss on disposal of fixed assets | (9,100) |
| Changes in assets and liabilities: | |
| (Increase) decrease in receivables | 209,708 |
| (Increase) decrease in inventories | (3,228) |
| (Increase) decrease in prepaids and other assets | 13,246 |
| Increase (decrease) in accounts payable | 55,343 |
| Increase (decrease) in accrued expenses | 18,511 |
| Increase (decrease) in deferred revenue | 7,806 |
| Increase (decrease) in other current liabilities | (4,429) |
| Net cash provided/(used) by operating activities | <u>755,599</u> |
| Cash Flows from Investing Activities: | |
| Proceeds from sale/disposal of fixed assets | 9,100 |
| Purchase of fixed assets | (703,482) |
| Net cash provided/(used) by investing activities | <u>(694,382)</u> |
| Net increase/(decrease) in cash and cash equivalents | 61,217 |
| Cash and cash equivalents: | |
| Beginning | <u>775,991</u> |
| Ending | <u>\$ 837,208</u> |
| Supplemental Disclosures: | |
| Cash paid for interest | <u>\$ -</u> |

Non-Cash Investing and Financing Activities:

During the year ended December 31, 2016, the Organization purchased the property located at 17400 Willowview Road in Noblesville, Indiana for a total purchase price of \$800,000. The Organization paid \$400,000 in cash and signed a mortgage note payable to the seller for the remaining \$400,000 (see also footnote 5).

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Janus Developmental Services, Inc. (“the Organization”) is a not-for-profit corporation organized April 4, 1979. The Organization is governed by a volunteer board of directors whose mission is to provide educational and habilitation services and programs in conjunction with vocational and employment training and placement for individuals with developmental and physical disabilities. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and was established exclusively for charitable, educational, and scientific purposes to enable the handicapped to function at their full potential in society.

Brief descriptions of the Organization’s major programs are listed below.

Doorways Training – builds upon the educational efforts of local school systems. The program’s trainers and curriculum enhance each individual’s ability to function more independently in his or her environment and support the integration of individuals into the community.

Community Employment – smooths the transition from student to adult employment life. Hand in hand and side by side, the job coaches assist the individual with the resume writing, job searching, and interviewing. After successful employment has been accomplished, the job coaches follow the individual to help the employer with training or any other employment challenges that arise to ensure a positive and successful employment experience.

Work Experience – offers individuals with developmental, physical, and intellectual disabilities the opportunity to learn basic employment skills such as completing assignments, working with co-workers, and arriving to work on time.

Hamilton County Express (HCE) – operates an affordable, on-demand public transit system for Hamilton County. The program is available to meet the transportation needs of individuals with disabilities as well as the general public.

Janus Contracted Transportation – operates Riverview Health Rides, a service providing door-to-door, shared ride transportation to medical appointments at Riverview Health facilities. Rides are available to patients with appointments at any of the 29 Riverview Health locations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Management’s Review of Subsequent Events

Management has evaluated subsequent events through June 12, 2017, the date when the financial statements were available to be issued.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Janus Developmental Services, Inc., uses the accrual method of accounting for financial statement reporting. Revenues are recognized when services are rendered and expenses are recognized when obligations are incurred.

C. Net Asset Classifications

The Organization's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are funds that have no donor-imposed restrictions and are for the general operations of the Organization. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by either actions of the Organization and/or passage of time. Permanently restricted net assets must be maintained by the Organization indefinitely; however, the income may be unrestricted or temporarily restricted based on the donor's requirements. The Organization had no temporarily or permanently restricted net assets as of December 31, 2016.

D. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private organization under Section 509(a) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the 2016 fiscal year.

The Organization files information tax returns in the U.S. federal and Indiana jurisdictions. The Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years ending prior to December 31, 2013.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenue Recognition

Revenue from fees for services is reported as income when the related service has been provided. Revenue from grants is reported as income when the related grant expenditures are incurred. Sales of goods and services are reported as income as deliveries are made.

F. Cash and Cash Equivalents

The Organization considers all checking, savings, and money market accounts to be cash and cash equivalents. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2016, at which time the Organization's deposits in excess of FDIC insured limits were \$351,465. The Organization believes it is not exposed to any significant risk on cash deposits.

G. Accounts Receivable

Accounts receivable are carried at original invoice amount less an allowance reduction for credit losses that reflects management's best estimate of the amounts that will not be collected. The allowance is based on experience and other circumstances which may affect the ability of customers and other agencies to meet their obligations. Accounts receivable are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

Accounts receivable represent primarily amounts due from state and federal agencies and other third-party payers and are due within 30 days. Accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable. Management did not consider any of the accounts receivable uncollectible at December 31, 2016; therefore, there was no allowance recorded as of that date.

H. Inventories

Inventories consist of materials and supplies and are stated at the lower of cost (first-in, first-out method) or market.

I. Property and Equipment

Property, equipment, and vehicles are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Organization's capitalization policy requires individual assets to be capitalized if the original cost or fair value at the date of donation exceeds \$1,000.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property and Equipment (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the equipment (3-10 years), vehicles (5 years), and buildings and improvements (10-40 years). The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

J. Deferred Revenue

The Organization records cash received from funding sources that has not yet been earned as deferred revenue.

K. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. If a restriction is placed by the donor on the contribution but the restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

L. 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.

M. Functional Allocation of Expenses

The cost of providing the various programs, fundraising, and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

N. Advertising

The Organization expenses advertising costs as incurred. Total advertising costs were \$13,883 for the year ended December 31, 2016.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – INVENTORIES

Inventories on hand as of December 31, 2016 consist of the following:

| | |
|-----------------------|------------------|
| Finished Goods | \$ 107 |
| Direct Materials | 1,766 |
| Consumables and Other | 9,595 |
| | <u>\$ 11,468</u> |

NOTE 4 – LINE OF CREDIT

As of December 31, 2016, the Organization had a \$200,000 demand note line of credit with Key Bank, collateralized by all assets of the Organization. This note has an interest rate of the prime rate plus 0.5%, resulting in a rate of 4.0% as of December 31, 2016. As of December 31, 2016, this note had an outstanding balance of \$0 and a maturity date of November 16, 2017. There was no interest expense paid on the line of credit during the year ended December 31, 2016.

NOTE 5 – LONG-TERM DEBT

At December 31, 2016, the Organization had a mortgage note payable to a private individual for \$400,000, dated August 30, 2016. The note is secured by land, buildings, and improvements. The note is payable in annual payments of \$60,000, including principal and interest, beginning August 31, 2017, through August 31, 2021, at which time the principal balance is due. The interest rate is fixed at 4.0% and the outstanding balance at December 31, 2016, was \$400,000, with annual maturities summarized as follows:

| | |
|-------|-------------------|
| 2017 | \$ 43,658 |
| 2018 | 45,482 |
| 2019 | 47,335 |
| 2020 | 49,264 |
| 2021 | 214,261 |
| Total | <u>\$ 400,000</u> |

NOTE 6 – LEASE COMMITMENTS

The Organization has entered into an operating lease agreement with Pitney Bowes Global Financial Services for a postage meter machine. The lease began in January 2015 and expires in April 2020. Rent expense under this agreement was \$792 for the year ended December 31, 2016.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – LEASE COMMITMENTS (Continued)

Future minimum rental payments as of December 31, 2016, under this lease are due as follows:

| | |
|------|--------|
| 2017 | \$ 792 |
| 2018 | 792 |
| 2019 | 792 |
| 2020 | 198 |

NOTE 7 – RETIREMENT PLAN

The Organization has a defined contribution 401(k) retirement plan covering substantially all of its employees who meet the minimum entry requirements. The Organization makes discretionary matching contributions equal to a uniform percentage of eligible employee salary deferrals. Additionally, the Organization may make annual discretionary profit sharing contributions. The Organization contributed a total of \$30,851 to the plan on behalf of employees for the year ended December 31, 2016.

NOTE 8 – GRANTS AND FEES FOR SERVICES

The following is a summary of the revenue from grants and fees for services during the year ended December 31, 2016:

Grants:

| | |
|---|--------------|
| Hamilton County State and Local Funds | \$ 1,278,262 |
| Indiana Department of Transportation: HCE (Federal Funds) | 823,716 |
| Other Counties and Townships | 49,000 |
| Other | 120,552 |
| | \$ 2,271,530 |

Fees for Services:

| | |
|--|------------|
| Indiana Family and Social Services Administration | \$ 591,589 |
| Vocational Rehabilitation | 141,217 |
| Group Homes and Client/Family Payments | 199,114 |
| Division of Disability and Rehabilitative Services | 30,262 |
| | \$ 962,182 |

NOTE 9 – CONCENTRATIONS

During the year ended December 31, 2016, approximately 55% of the Organization's total support and revenue was from grants, primarily from federal, state, county, and city agencies. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – LITIGATION

As of February 6, 2017, the Organization is the defendant in a wrongful termination lawsuit. Management believes that the outcome will not materially affect the Organization's financial statements. Due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome will change in the near term.

JANUS DEVELOPMENTAL SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

| <u>Federal Grantor/Pass-Through Grantor, Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Project # or Contract #</u> | <u>Total Expenditures</u> |
|--|------------------------|------------------------------------|-------------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| Pass-through Indiana Department of Transportation through Hamilton County Commissioners: | | | |
| Formula Grants for Rural Areas | 20.509 | A249-16-G150159 | \$ 647,141 (M) |
| Formula Grants for Rural Areas | 20.509 | A249-16-G150052 | <u>176,575 (M)</u> |
| Total U.S. Department of Transportation | | | <u>823,716</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 823,716</u> |

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

JANUS DEVELOPMENTAL SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Janus Developmental Services, Inc. (the Organization) for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Indirect costs are charged to federal programs using the rates stipulated in the grant agreements.

NOTE 3 – SUBRECIPIENTS

The Organization did not provide any federal awards to subrecipients.

NOTE 4 – DESCRIPTION OF MAJOR FEDERAL PROGRAMS

Formula Grants for Rural Areas: This program's objectives are to initiate, improve, or continue public transportation service in rural areas by providing financial assistance for operating, planning, administrative expenses, and the acquisition, construction, and improvement of facilities and equipment.

NOTE 5 – NONCASH ASSISTANCE, INSURANCE, AND LOAN GUARANTEES

The Organization did not receive any noncash assistance in the current year. In addition, the Organization had no federal insurance or loan guarantees in the current year.

JANUS DEVELOPMENTAL SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | | |
|----|--|------------|
| 1. | Type of auditor’s report issued on financial statements | Unmodified |
| 2. | During the audit of the financial statements, were any significant deficiencies in internal control disclosed? | Yes |
| 3. | If so, were any such deficiencies considered material weaknesses? | Yes |
| 4. | Did the audit disclose any instances of noncompliance that would be considered material to the financial statements? | No |

Federal Awards

- | | | |
|----|---|------------|
| 1. | Were any significant deficiencies in internal control over major programs disclosed? | Yes |
| 2. | If so, were any such deficiencies considered material weaknesses? | Yes |
| 3. | Type of report issued on compliance for major programs | Unmodified |
| 4. | Any findings disclosed that are required to be reported under 2 CFR § 200.516(a)? | No |
| 5. | Major Programs: U.S. Department of Transportation: Formula Grants for Rural Areas | 20.509 |
| 6. | Dollar threshold to distinguish between Type A and Type B programs | \$ 750,000 |
| 7. | Does auditee qualify as a low-risk auditee under 2 CFR § 200.520? | No |

JANUS DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

Internal Control over Financial Reporting – Material Weakness:

Finding 2016-001 Lack of Segregation of Duties

Criteria: A basic premise of internal control is that no single individual should have access to both the physical assets and the related accounting records or to substantially all phases of a transaction.

Condition: We noted that a lack of segregation of duties exists in that the Accounting Manager has access to authorize and initiate electronic banking transactions and the ability to record them in the accounting system. Similarly, the same individual processes checks, records them in QuickBooks, and has access to set up new vendors. With respect to the cash receipts process, we noted that the same individual prepares the bank deposits, takes the deposit to the bank, and records the deposit in the accounting system, and reconciles the bank account.

Cause: The Organization has not hired the additional accounting staff which would be necessary to segregate all the duties.

Effect: Because a number of duties are performed by the same individual, the Organization is at risk for intentional or unintentional misstatements occurring that may not be prevented or detected in a timely manner.

Recommendation: We recommend that the Organization consider hiring additional accounting staff to better segregate the duties.

Management Response: Management is aware of the lack of segregation of duties that exists in the Accounting Department, and is cognizant that this leads to an inherent risk for intentional or unintentional misstatements that may not be detected in a timely manner. While it would be ideal to be able to hire additional staff to allow additional segregation of duties, Janus Developmental Services, Inc. is not currently in a position to hire additional accounting staff. Management will continue to be diligent in following its financial oversight procedures and in providing all financial information to the Janus Finance Committee and Board members to help ensure the greatest possible transparency with its financial policies and practices. Additionally, as payroll responsibilities have been transferred to Human Resources, the Accounting Department will be focusing on cross-training for all functions and responsibilities in Accounting and it is anticipated that this will facilitate an increased level of oversight.

JANUS DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION III – FEDERAL AWARD FINDINGS

Finding No.: 2016-002 – Lack of Documentation of Controls over Payroll

Federal Program Name: Formula Grants for Rural Areas

Project No.: A249-16-G150159/A249-16-G150052

CFDA No.: 20.509

Passed Through: Indiana Department of Transportation through Hamilton County Commissioners

Federal Agency: U.S. Department of Transportation

Criteria: One of the audit requirements of the Uniform Guidance is the testing of internal controls over the payroll process.

Condition: We were unable to test the key internal control over the payroll process which is the approval of employee timesheets and hours worked.

Questioned Costs: Not applicable.

Context: Not applicable.

Cause: The Organization changed to a new third-party payroll processor and was unable to access timesheets or any other records of the approval of hours worked from the old third-party payroll processor.

Effect: Based on our inquiries of the Organization's staff, we were able to establish that an approval process over hours worked was in place; however, we were unable to test this assertion as required by the Uniform Guidance due to the lack of supporting documentation. Our substantive tests did not reveal any material noncompliance over payroll.

Recommendation: We recommend that the Organization review internal controls over the payroll process and ensure that supporting documentation evidencing the approval of hours worked is retained.

Management Response: In the transition to a new third-party payroll processor, management has established internal controls over the payroll process to ensure that approval of hours worked is accurate. The new payroll processor provides documentation of all recorded timesheet approvals. Janus began processing payroll with the new provider on January 1, 2017.

JANUS DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Internal Control over Financial Reporting – Significant Deficiency:

Finding 2015-01 Lack of Segregation of Duties

Condition: We noted that a lack of segregation of duties exists in that the Accounting Manager has access to authorize and initiate electronic banking transactions and the ability to record them in the accounting system. Also, we noted that the Accounts Receivable/Payroll Specialist prepares the bank deposits, takes the deposit to the bank, and records the deposit in the accounting system.

Recommendation: We recommend that the Organization consider hiring additional accounting staff to better segregate the duties.

Current Status: Finding was repeated as Finding 2016-001

JANUS DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION V – CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

Finding No. 2016-002 – Lack of Documentation of Controls over Payroll

Condition: We were unable to test the key internal control over the payroll process which is the approval of employee timesheets and hours worked.

Plan: In the transition to a new third-party payroll processor, management has established internal controls over the payroll process to ensure that approval of hours worked is accurate. The new payroll processor provides documentation of all recorded timesheet approvals. Janus began processing payroll with the new provider on January 1, 2017.

Anticipated Date of Completion: January 1, 2017

Contact Person Responsible for Corrective Action: Christina Sorenson, President/CEO

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
Janus Developmental Services, Inc.
Noblesville, Indiana

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 Janus Developmental Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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 June 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Janus Developmental 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 Janus Developmental 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal

control, described in the accompanying schedule of findings and questioned costs as finding 2016-001, that we consider to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Janus Developmental 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*.

Janus Developmental Services, Inc.'s Response to Findings

Janus Developmental Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Janus Developmental Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Kemper CPA Group LLP
KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Champaign, Illinois
June 12, 2017

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

To the Board of Directors
Janus Developmental Services, Inc.
Noblesville, Indiana

Report on Compliance for Each Major Federal Program

We have audited Janus Developmental 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 Janus Developmental Services, Inc.'s major federal programs for the year ended December 31, 2016. Janus Developmental 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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Janus Developmental 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* 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 Janus Developmental 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 Janus Developmental Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Janus Developmental 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, 2016.

Report on Internal Control Over Compliance

Management of Janus Developmental 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 Janus Developmental 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 Janus Developmental Services, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2016-002 to be a material weakness.

Janus Developmental Services, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Janus Developmental Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Champaign, Illinois
June 12, 2017