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September 20, 2018

Board of Directors
Family Focus, Inc.
660 Morthland Drive, Suite A
Valparaiso, IN 46385

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

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

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

FAMILY FOCUS, INC. AND AFFILIATE

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

FAMILY FOCUS, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Focus, Inc. and Affiliate
Valparaiso, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Family Focus, Inc. (an Indiana nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Focus, Inc. and affiliate as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Family Focus, Inc. and Affiliate's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



McMahon & Associates Certified Public Accountants, P.C.
Munster, Indiana

June 7, 2018

FAMILY FOCUS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 3,153,370	\$ 2,662,882
Investment - CD	250,756	0
Grants receivable - net of \$48,000 allowance	579,519	770,728
Prepaid expenses	55,327	53,445
Total current assets	<u>4,038,972</u>	<u>3,487,055</u>
<u>FIXED ASSETS</u> - Net	395,305	437,245
<u>NONCURRENT ASSETS</u> - Investment - CD	<u>253,470</u>	<u>250,521</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,687,747</u>	<u>\$ 4,174,821</u>
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 25,545	\$ 51,652
Accrued expenses	440,375	361,013
Total current liabilities	<u>465,920</u>	<u>412,665</u>
<u>NET ASSETS:</u>		
Unrestricted	4,221,827	3,762,156
Temporarily restricted	0	0
Total net assets	<u>4,221,827</u>	<u>3,762,156</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,687,747</u>	<u>\$ 4,174,821</u>

FAMILY FOCUS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<u>SUPPORT AND REVENUE:</u>				
Grants	\$ 747,584	\$ 0	\$ 747,584	\$ 720,381
County revenue	3,694,400	0	3,694,400	4,267,942
Program fees	39,175	0	39,175	35,302
Contributions	93	0	93	3,086
Interest income	11,256	0	11,256	3,334
Rent income	83,205	0	83,205	82,812
Other income	20,445	0	20,445	19,890
Assets released from restrictions	0	0	0	0
Total support revenue	<u>4,596,158</u>	<u>0</u>	<u>4,596,158</u>	<u>5,132,747</u>
<u>PROGRAM SERVICES:</u>				
Case management	2,844,695	0	2,844,695	3,099,554
Prevention	100,324	0	100,324	105,407
Healthy Families	464,669	0	464,669	490,759
Parenting classes	20,096	0	20,096	20,820
Total program service expenses	<u>3,429,784</u>	<u>0</u>	<u>3,429,784</u>	<u>3,716,540</u>
MANAGEMENT AND GENERAL	<u>706,703</u>	<u>0</u>	<u>706,703</u>	<u>700,038</u>
TOTAL EXPENSES	<u>4,136,487</u>	<u>0</u>	<u>4,136,487</u>	<u>4,416,578</u>
CHANGE IN NET ASSETS	459,671	0	459,671	716,169
NET ASSETS - BEGINNING OF YEAR	<u>3,762,156</u>	<u>0</u>	<u>3,762,156</u>	<u>3,045,987</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 4,221,827</u>	<u>\$ 0</u>	<u>\$ 4,221,827</u>	<u>\$ 3,762,156</u>

FAMILY FOCUS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017					2016	
	Case		Healthy	Parenting	Management	Total	Total
	Management	Prevention	Families	Classes	and General		
SALARIES AND RELATED EXPENSES:							
Salaries and related taxes	\$ 1,980,441	\$ 75,348	\$ 332,843	\$ 0	\$ 377,773	\$ 2,766,405	\$ 2,979,809
Medical insurance	227,644	8,806	54,832	0	37,951	329,233	337,713
Workers compensation insurance	0	0	0	0	29,754	29,754	25,462
Retirement plan	26,180	0	4,227	0	4,264	34,671	33,296
Total salaries and related expenses	<u>2,234,265</u>	<u>84,154</u>	<u>391,902</u>	<u>0</u>	<u>449,742</u>	<u>3,160,063</u>	<u>3,376,280</u>
STAFF DEVELOPMENT	23,855	0	2,440	0	13,454	39,749	53,008
PROGRAM EXPENSES:							
Activity supplies	7,346	0	1,081	4,241	565	13,233	24,104
Client assistance	22,415	0	0	0	0	22,415	21,597
Contracted services	0	0	0	14,255	0	14,255	13,295
Staff mileage	363,492	16,170	34,818	0	3,077	417,557	431,397
Total program expenses	<u>393,253</u>	<u>16,170</u>	<u>35,899</u>	<u>18,496</u>	<u>3,642</u>	<u>467,460</u>	<u>490,393</u>
OCCUPANCY EXPENSES:							
Building rent	13,950	0	1,692	307	10,453	26,402	21,135
Grounds and building maintenance	8,953	0	0	0	51,484	60,437	58,835
Depreciation - building and improvements	0	0	0	0	40,270	40,270	40,174
Property insurance	0	0	0	0	16,320	16,320	15,207
Utilities	3,233	0	0	0	16,451	19,684	18,628
Total occupancy expenses	<u>26,136</u>	<u>0</u>	<u>1,692</u>	<u>307</u>	<u>134,978</u>	<u>163,113</u>	<u>153,979</u>
OFFICE EXPENSES:							
Contracted services	3,590	0	0	0	22,766	26,356	23,197
Staff recruiting	15,871	0	1,497	0	2,516	19,884	13,169
Professional fees	7,331	0	4,185	0	24,402	35,918	30,078
Professional liability insurance	0	0	0	0	10,994	10,994	10,170
Equipment rent and maintenance	0	0	424	0	3,305	3,729	3,917
Telephone expense	48,382	0	14,224	0	331	62,937	64,231
Office supplies	7,512	0	1,481	187	11,205	20,385	25,761
Depreciation - office furniture	589	0	81	0	5,403	6,073	10,747
Management fee	0	0	0	0	19,200	19,200	19,200
Miscellaneous	1,914	0	144	1,106	4,765	7,929	15,446
Total office expense	<u>85,189</u>	<u>0</u>	<u>22,036</u>	<u>1,293</u>	<u>104,887</u>	<u>213,405</u>	<u>215,916</u>
OTHER EXPENSE:							
Reserve adjustment	65,997	0	10,700	0	0	76,697	95,500
Interest expense	0	0	0	0	0	0	7,502
Bad debt expense	16,000	0	0	0	0	16,000	24,000
Total other expense	<u>81,997</u>	<u>0</u>	<u>10,700</u>	<u>0</u>	<u>0</u>	<u>92,697</u>	<u>127,002</u>
TOTAL EXPENSES	<u>\$ 2,844,695</u>	<u>\$ 100,324</u>	<u>\$ 464,669</u>	<u>\$ 20,096</u>	<u>\$ 706,703</u>	<u>\$ 4,136,487</u>	<u>\$ 4,416,578</u>

FAMILY FOCUS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>OPERATING ACTIVITIES:</u>		
Cash received from grantors and donors	\$ 4,672,461	\$ 5,044,008
Rent income	83,205	82,812
Interest income	11,256	3,334
Other income	20,445	19,890
Interest expense	0	(7,502)
Cash paid to vendors and employees	<u>(4,038,771)</u>	<u>(4,219,755)</u>
Net cash provided by operating activities	<u>748,596</u>	<u>922,787</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(4,403)	(16,602)
Purchase of CDs	<u>(253,705)</u>	<u>(250,521)</u>
Net cash used by investing activities	<u>(258,108)</u>	<u>(267,123)</u>
<u>FINANCING ACTIVITIES</u> - Principal payments of debt	<u>0</u>	<u>(362,272)</u>
NET INCREASE IN CASH	490,488	293,392
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,662,882</u>	<u>2,369,490</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 3,153,370</u>	<u>\$ 2,662,882</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 459,671	\$ 716,169
Add: Non-cash items:		
Depreciation and amortization	46,343	50,921
Allowance for doubtful accounts	48,000	32,000
Decrease (increase) in assets:		
Grants receivable	143,209	(14,703)
Prepaid expenses	(1,882)	709
Other receivable	0	1,290
Increase (decrease) in liabilities:		
Accounts payable	(26,107)	24,998
Accrued expenses	<u>79,362</u>	<u>111,403</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 748,596</u>	<u>\$ 922,787</u>

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Family Focus, Inc. is a not-for-profit organization primarily involved in providing programs for residents in Northern Indiana that strengthen and empower families and promote safe and nurturing homes for children. Funding is provided from fees for services and community, governmental and private support.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Family Focus, Inc. and Family Focus Properties, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

Family Focus Properties, Inc. (a not-for-profit organization) is a real estate holding company that leases a building and equipment to the affiliate.

Family Focus, Inc. and Family Focus Properties, Inc. are here after referred to as the "Organization."

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards. In accordance with accounting principles general accepted in the United States of America (GAAP), 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.

Unrestricted Net Assets - Reflect assets which have not been restricted as to use by donors. A designation within this asset group represents assets restricted by the Board of Directors.

Temporarily Restricted Net Assets - Reflect contributed assets whose use by the Organization has been limited by donors for a specific time period or purpose.

Permanently Restricted Net Assets - Reflect contributions with donor imposed restrictions which do not expire and which allow, in certain cases, only the income earned thereon to be expended by the Organization. At December 31, 2017 the Organization does not have any permanently or temporarily restricted net assets.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service expense.

Estimates - The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Certificates of Deposit - Certificates of deposit held for investment that are not debt securities are included in current and noncurrent assets. Certificates of deposit with original maturities greater than three months with remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Grants Receivable - The Organization receives grant revenue on a per unit billing basis. A receivable for outstanding units billed has been recorded at December 31, 2017. An allowance of \$48,000 for uncollectible grants has been recorded for the year ended December 31, 2017. The allowance is based on prior years of experience and management's analysis. The Organization does not accrue interest on any of its receivables.

Contributions - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years of experiences and management's analysis of specific promises made.

Fixed Assets - Expenses are capitalized as fixed assets when they have a useful life greater than two years and have a minimum cost of \$2,000. Fixed assets received as a donation are recorded and reflected in the accompanying consolidated financial statements at their fair market value. Donations of fixed assets are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at this time.

Purchased fixed assets are stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of activities. Depreciation is computed on the straight-line method over estimated useful lives of the assets.

Estimated useful lives of the assets are as follows:

Equipment and furniture	1 - 5 Years
Building and improvements	5 - 20 Years

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes - The Organization's policy is to record an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. Interest and penalties related to gross unrecognized tax benefits would be included within the provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued would be reduced in the period that such determination is made and reflected as a reduction of the overall income tax provision. Family Focus, Inc. and Family Focus Properties, Inc. file a federal and an Indiana state not-for-profit tax return. Management believes the tax years that remain subject to examination by the federal and Indiana tax jurisdiction date back to the year ended December 31, 2015.

Income Tax Status - Family Focus, Inc. operates as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (3) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

Family Focus Properties, Inc. operates as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (2) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

Contributed Services - A number of unpaid volunteers have made contributions of their time to the Organization. During the year ended December 31 2017 the value of the contributed time is not reflected in the accompanying consolidated financial statements since the volunteers' time does not meet the requirement for recognition under GAAP.

Concentrations of Risk - The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation's limit of \$250,000. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2017 the Organization had uninsured deposits of \$2,507,812.

Program Revenue - Under the terms of certain government reimbursed programs, providers of these services are subject to regulation by the program intermediaries. Payment for the services rendered is based upon "allowable cost" as defined by program regulations and subject to financial audit by the program intermediary. The client is subject to audit for the past years.

Reclassifications - For comparative purposes, certain 2016 balances have been reclassified to be consistent with current classifications.

Subsequent Events - Subsequent events have been evaluated through June 7, 2018, which is the date the consolidated financial statements were available to be issued.

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Comparative Financial Information - The consolidated financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 - INVESTMENTS - CD

The Organization has a short-term CD valued at \$250,756 at December 31, 2017. The CD matures in October 2018. The interest rate is 1.5%.

The Organization has a long-term CD valued at \$253,470 at December 31, 2017. The CD matures in September 2019. The interest rate is 1.5%.

NOTE 3 - FIXED ASSETS

Fixed assets at December 31, 2017 consisted of the following:

Building and improvements	\$ 627,254
Equipment and furniture	<u>66,879</u>
Total fixed assets	694,133
Less accumulated depreciation	<u>(298,828)</u>
Net fixed assets	<u>\$ 395,305</u>

Depreciation expense for the year ended December 31, 2017 was \$46,343.

NOTE 4 - LINE OF CREDIT

The Organization had a \$200,000 bank line of credit. It was a revolving note that matured in August 2017. The note was unsecured. The interest rate was equal to the prime rate. The Organization elected not to renew the note.

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 - RETIREMENT PLAN

The Organization participates in a 401(k) plan (the Plan). Employees are eligible to participate in the Plan the year after they attain 21 years of age and one year of service with at least 1,000 hours. The Organization matches 50% of the first 4% of contributions. Contributions paid to the Plan for the year ended December 31, 2017 were \$34,671.

NOTE 6 - OPERATING LEASES

In March 2017, the Organization entered into a two-year lease for office space in LaPorte, Indiana. The lease requires monthly payments of \$1,100 plus utilities. Repairs and maintenance are the responsibility of the lessor.

In March 2016, the Organization entered into a series of three-month leases that was extended through March 2017 for office space in Michigan City, Indiana. The lease required monthly payments of \$640. The final lease extension ended in March 2017. The Organization did not renew this lease.

The Organization entered into a three-year lease for office space in Merrillville, Indiana. The lease expires in April of 2020. The lease requires monthly payments of \$2,100, plus utilities. Repairs and maintenance are the responsibility of the lessor.

In March 2014, the Organization entered into a three-year lease for office space in Wheatfield, Indiana. The lease requires monthly payments of \$500. This lease ended in February 2017. The new lease agreement for this space is on a month to month basis.

Rental expense was \$44,120 for the year ended December 31, 2017. The aggregate minimum lease commitment under non-cancellable leases having an initial term in excess of one year is approximately as follows:

Years ending December 31,	
2018	\$ 38,400
2019	27,400
2020	<u>8,400</u>
Total	<u>\$ 74,200</u>

FAMILY FOCUS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 - LEASED PROPERTY

The Organization owns office space in Valparaiso, Indiana which it rents to tenants.

Rental income for the year ended December 31, 2017 totaled \$83,205.

Future minimum rental payments under non-cancellable leases at December 31, 2017 are as follows:

2018	\$ 42,915
2019	19,874
2020	<u>4,995</u>
Total	<u>\$ 67,784</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

The Organization received contributions in 2017 for designated purposes. All funds were used for their designated purpose by year end. As of December 31, 2017, the Organization had no temporarily restricted net assets.

NOTE 9 - CONTINGENCIES

As documented under program revenue in Note 1, under the terms of the grants administered by the Department of Children Services, providers of services are subject to audits by the program intermediaries. Costs reimbursement for the year ended December 31, 2017 has not yet been subjected to financial audit by the program intermediary. There are no pending audits for this program; however, a reserve has been established for the fiscal year ended December 31, 2017. A reserve for potential liability under this program that may become due under audit totals \$370,615 at December 31, 2017 and is included in accrued expenses.

FAMILY FOCUS, INC. AND AFFILIATE

SUPPLEMENTARY INFORMATION

FAMILY FOCUS, INC. AND AFFILIATE

SCHEDULE 1 - CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>Family Focus, Inc.</u>	<u>Family Focus Properties, Inc.</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
ASSETS				
<u>CURRENT ASSETS:</u>				
Cash and cash equivalents	\$ 2,955,414	\$ 197,956	\$ 0	\$ 3,153,370
Investment - CD	250,756	0	0	250,756
Grants receivable - net \$32,000 allowance	579,519	0	0	579,519
Prepaid expenses	53,974	1,353	0	55,327
Due from affiliate	269,084	0	(269,084)	0
Total current assets	<u>4,108,747</u>	<u>199,309</u>	<u>(269,084)</u>	<u>4,038,972</u>
<u>FIXED ASSETS - Net</u>	25,803	369,502	0	395,305
<u>NONCURRENT ASSETS - Investment - CD</u>	<u>253,470</u>	<u>0</u>	<u>0</u>	<u>253,470</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,388,020</u>	<u>\$ 568,811</u>	<u>\$ (269,084)</u>	<u>\$ 4,687,747</u>
LIABILITIES AND NET ASSETS				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ 21,896	\$ 3,649	\$ 0	\$ 25,545
Accrued expenses	428,461	11,914	0	440,375
Due to affiliate	0	269,084	(269,084)	0
Total current liabilities	<u>450,357</u>	<u>284,647</u>	<u>(269,084)</u>	<u>465,920</u>
<u>NET ASSETS - Unrestricted</u>	<u>3,937,663</u>	<u>284,164</u>	<u>0</u>	<u>4,221,827</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,388,020</u>	<u>\$ 568,811</u>	<u>\$ (269,084)</u>	<u>\$ 4,687,747</u>

FAMILY FOCUS, INC. AND AFFILIATE

SCHEDULE 2 - CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Family Focus, Inc.</u>	<u>Family Focus Properties, Inc.</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<u>SUPPORT AND REVENUE:</u>				
Grants	\$ 747,584	\$ 0	\$ 0	\$ 747,584
County revenue	3,694,400	0	0	3,694,400
Program fees	39,175	0	0	39,175
Contributions	93	0	0	93
Interest income	11,256	0	0	11,256
Rent income	0	150,452	(67,247)	83,205
Other income	20,445	0	0	20,445
Total support revenue	<u>4,512,953</u>	<u>150,452</u>	<u>(67,247)</u>	<u>4,596,158</u>
<u>PROGRAM SERVICES:</u>				
Case management	2,880,226	0	(35,531)	2,844,695
Prevention	100,324	0	0	100,324
Healthy Families	468,977	0	(4,308)	464,669
Parenting classes	20,878	0	(782)	20,096
Total program service expenses	<u>3,470,405</u>	<u>0</u>	<u>(40,621)</u>	<u>3,429,784</u>
MANAGEMENT AND GENERAL	<u>636,620</u>	<u>96,709</u>	<u>(26,626)</u>	<u>706,703</u>
TOTAL EXPENSES	<u>4,107,025</u>	<u>96,709</u>	<u>(67,247)</u>	<u>4,136,487</u>
CHANGE IN NET ASSETS	405,928	53,743	0	459,671
NET ASSETS - BEGINNING OF YEAR	<u>3,531,735</u>	<u>230,421</u>	<u>0</u>	<u>3,762,156</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,937,663</u>	<u>\$ 284,164</u>	<u>\$ 0</u>	<u>\$ 4,221,827</u>

FAMILY FOCUS, INC. AND AFFILIATE

SCHEDULE 3 - CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Family Focus, Inc.						Family Focus Properties, Inc.	Consolidating Entries	Consolidated
	Case	Healthy	Parenting	Management	Total				
	Management	Prevention	Families	Classes					
SALARIES AND RELATED EXPENSES:									
Salaries and related taxes	\$ 1,980,441	\$ 75,348	\$ 332,843	\$ 0	\$ 377,773	\$ 2,766,405	\$ 0	\$ 0	\$ 2,766,405
Medical insurance	227,644	8,806	54,832	0	37,951	329,233	0	0	329,233
Workers compensation insurance	0	0	0	0	29,754	29,754	0	0	29,754
Retirement plan	26,180	0	4,227	0	4,264	34,671	0	0	34,671
Total salaries and related expenses	<u>2,234,265</u>	<u>84,154</u>	<u>391,902</u>	<u>0</u>	<u>449,742</u>	<u>3,160,063</u>	<u>0</u>	<u>0</u>	<u>3,160,063</u>
STAFF DEVELOPMENT	<u>23,855</u>	<u>0</u>	<u>2,440</u>	<u>0</u>	<u>13,454</u>	<u>39,749</u>	<u>0</u>	<u>0</u>	<u>39,749</u>
PROGRAM EXPENSES:									
Activity supplies	7,346	0	1,081	4,241	565	13,233	0	0	13,233
Client assistance	22,415	0	0	0	0	22,415	0	0	22,415
Contracted services	0	0	0	14,255	0	14,255	0	0	14,255
Staff mileage	363,492	16,170	34,818	0	3,077	417,557	0	0	417,557
Total program expenses	<u>393,253</u>	<u>16,170</u>	<u>35,899</u>	<u>18,496</u>	<u>3,642</u>	<u>467,460</u>	<u>0</u>	<u>0</u>	<u>467,460</u>
OCCUPANCY EXPENSES:									
Building rent	49,481	0	6,000	1,089	37,079	93,649	0	(67,247)	26,402
Grounds and building maintenance	8,953	0	0	0	23,301	32,254	28,183	0	60,437
Depreciation - building and improvements	0	0	0	0	3,301	3,301	36,969	0	40,270
Property insurance	0	0	0	0	13,491	13,491	2,829	0	16,320
Utilities	3,233	0	0	0	9,997	13,230	6,454	0	19,684
Total occupancy expenses	<u>61,667</u>	<u>0</u>	<u>6,000</u>	<u>1,089</u>	<u>87,169</u>	<u>155,925</u>	<u>74,435</u>	<u>(67,247)</u>	<u>163,113</u>
OFFICE EXPENSES:									
Contracted services	3,590	0	0	0	22,766	26,356	0	0	26,356
Staff recruiting	15,871	0	1,497	0	2,516	19,884	0	0	19,884
Professional fees	7,331	0	4,185	0	22,902	34,418	1,500	0	35,918
Professional liability insurance	0	0	0	0	9,420	9,420	1,574	0	10,994
Equipment rent and maintenance	0	0	424	0	3,305	3,729	0	0	3,729
Telephone expense	48,382	0	14,224	0	331	62,937	0	0	62,937
Office supplies	7,512	0	1,481	187	11,205	20,385	0	0	20,385
Depreciation - office furniture	589	0	81	0	5,403	6,073	0	0	6,073
Management fee	0	0	0	0	0	0	19,200	0	19,200
Miscellaneous	1,914	0	144	1,106	4,765	7,929	0	0	7,929
Total office expense	<u>85,189</u>	<u>0</u>	<u>22,036</u>	<u>1,293</u>	<u>82,613</u>	<u>191,131</u>	<u>22,274</u>	<u>0</u>	<u>213,405</u>
OTHER EXPENSE:									
Reserve adjustment	65,997	0	10,700	0	0	76,697	0	0	76,697
Bad debt expense	16,000	0	0	0	0	16,000	0	0	16,000
Total other expense	<u>81,997</u>	<u>0</u>	<u>10,700</u>	<u>0</u>	<u>0</u>	<u>92,697</u>	<u>0</u>	<u>0</u>	<u>92,697</u>
TOTAL EXPENSES	<u>\$ 2,880,226</u>	<u>\$ 100,324</u>	<u>\$ 468,977</u>	<u>\$ 20,878</u>	<u>\$ 636,620</u>	<u>\$ 4,107,025</u>	<u>\$ 96,709</u>	<u>\$ (67,247)</u>	<u>\$ 4,136,487</u>

FAMILY FOCUS, INC. AND AFFILIATE

SCHEDULE 4 - CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Family</u> <u>Focus, Inc.</u>	<u>Family Focus</u> <u>Properties, Inc.</u>	<u>Consolidating</u> <u>Entries</u>		<u>Consolidated</u>
<u>OPERATING ACTIVITIES:</u>					
Cash received from grantors and donors	\$ 4,672,461	\$ 0	\$ 0	\$	4,672,461
Rent income	0	150,452	(67,247)		83,205
Interest income	11,256	0	0		11,256
Other income	20,445	0	0		20,445
Cash paid to vendors and employees	<u>(4,034,697)</u>	<u>(71,321)</u>	<u>67,247</u>		<u>(4,038,771)</u>
Net cash provided by operating activities	<u>669,465</u>	<u>79,131</u>	<u>0</u>		<u>748,596</u>
<u>INVESTING ACTIVITIES:</u>					
Purchase of fixed assets	(4,403)	0	0		(4,403)
Purchase of CDs	<u>(253,705)</u>	<u>0</u>	<u>0</u>		<u>(253,705)</u>
Net cash used by investing activities	<u>(258,108)</u>	<u>0</u>	<u>0</u>		<u>(258,108)</u>
<u>FINANCING ACTIVITIES</u> - Due to (from) affiliate	<u>43,195</u>	<u>(43,195)</u>	<u>0</u>		<u>0</u>
NET INCREASE IN CASH	454,552	35,936	0		490,488
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,500,862</u>	<u>162,020</u>	<u>0</u>		<u>2,662,882</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 2,955,414</u>	<u>\$ 197,956</u>	<u>\$ 0</u>	<u>\$</u>	<u>3,153,370</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH</u>					
<u>PROVIDED BY OPERATING ACTIVITIES:</u>					
Change in net assets	\$ 405,928	\$ 53,743	\$ 0	\$	459,671
Add: Non-cash items:					
Depreciation and amortization	9,374	36,969	0		46,343
Allowance for doubtful accounts	48,000	0	0		48,000
Decrease (increase) in assets:					
Grants receivable	143,209	0	0		143,209
Prepaid expenses	(1,899)	17	0		(1,882)
Increase (decrease) in liabilities:					
Accounts payable	(19,463)	(6,644)	0		(26,107)
Accrued expenses	<u>84,316</u>	<u>(4,954)</u>	<u>0</u>		<u>79,362</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 669,465</u>	<u>\$ 79,131</u>	<u>\$ 0</u>	<u>\$</u>	<u>748,596</u>