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September 21, 2018

Board of Directors  
Indiana Youth Services Association, Inc.  
445 N. Pennsylvania St.  
Suite 945  
Indianapolis, IN 46204

We have reviewed the report prepared by Indiana Youth Services Association, Inc. and opined upon by Humphrey CPA Group, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana Youth Services Association, 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, Humphrey CPA Group, 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, CPA  
State Examiner

***INDIANA YOUTH SERVICES ASSOCIATION, INC.***

***Financial Statements***

***Years Ended December 31, 2017 and 2016***

# **INDIANA YOUTH SERVICES ASSOCIATION, INC.**

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Humphrey CPA Group, L.L.C.

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445 N. Pennsylvania Street, Suite 941  
Indianapolis, IN 46204

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Indiana Youth Services Association, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of **Indiana Youth Services Association, Inc. (IYSA)**, An Indiana Not-for-Profit Corporation, which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 audits 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 the Indiana Youth Services Association, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited IYSA's financial statements for the year ended December 31, 2016 and we expressed an unmodified opinion on the financial statements dated September 28, 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 financial statements from which it has been derived.

**Other Matters****Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal award shown on page 16 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic 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 audits 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 U.S. generally accepted auditing standards. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

**Reports Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2018 on our consideration of IYSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and in considering the Agency's internal control over financial reporting and compliance.

*Humphrey CPA Group, L.L.C.*

Indianapolis, Indiana

August 1, 2018

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION December 31, 2017 and 2016

	2017	2016
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash-unrestricted	\$ 80,713	\$ 53,237
Cash held for the benefit of others	124,658	52,581
Accounts receivable	475,351	575,322
Prepaid expenses	2,916	6,445
Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-non restricted portion	20,234	18,332
<b>TOTAL CURRENT ASSETS</b>	<b>703,872</b>	<b>705,916</b>
NON-CURRENT ASSETS		
Furniture and equipment, net of depreciation	2,355	5,067
Investments	135,315	112,960
Rent deposits	3,218	3,218
Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-restricted portion	50,000	50,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>190,888</b>	<b>171,245</b>
<b>TOTAL ASSETS</b>	<b>\$ 894,760</b>	<b>\$ 877,162</b>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 239,759	\$ 317,804
Short term loan	0	97,000
Line of credit	145,349	33,002
Accrued payroll liabilities	14,110	11,971
Other accrued expenses	34,944	30,200
Amounts held on behalf of others	124,658	52,581
Deferred revenue	23,766	0
<b>TOTAL LIABILITIES</b>	<b>582,586</b>	<b>542,558</b>
<b><u>NET ASSETS</u></b>		
Unrestricted	262,174	284,604
Temporarily restricted	0	0
Permanently restricted	50,000	50,000
<b>TOTAL NET ASSETS</b>	<b>312,174</b>	<b>334,604</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 894,760</b>	<b>\$ 877,162</b>

See accompanying notes and independent auditor's report.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017 (with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>(Memo) 2016 Total</u>
<b>SUPPORT AND REVENUE</b>					
Contract income	\$ 1,533,387	\$ 0	\$ 0	\$ 1,533,387	\$ 1,432,959
Dues	93,500	0	0	93,500	105,750
VOCA Grant	802,968	0	0	802,968	582,277
Grants received	0	0	0	0	91,101
Service income	62,210	0	0	62,210	63,565
Contributions	26,282	0	0	26,282	85,946
In kind donations	0	0	0	0	17,477
Program income	75	0	0	75	853
Special events, net	117,618	0	0	117,618	124,694
Net investment income	30,825	0	0	30,825	11,285
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,666,865</b>	<b>0</b>	<b>0</b>	<b>2,666,865</b>	<b>2,515,907</b>
<b>EXPENSES</b>					
Program services	2,419,025	0	0	2,419,025	2,305,241
General and administrative	196,298	0	0	196,298	272,617
Fundraising	73,972	0	0	73,972	73,115
<b>TOTAL EXPENSES</b>	<b>2,689,295</b>	<b>0</b>	<b>0</b>	<b>2,689,295</b>	<b>2,650,973</b>
<b>CHANGE IN NET ASSETS</b>	<b>(22,430)</b>	<b>0</b>	<b>0</b>	<b>(22,430)</b>	<b>(135,066)</b>
<b>NET ASSETS, BEGINNING</b>	<b>284,604</b>	<b>0</b>	<b>50,000</b>	<b>334,604</b>	<b>469,670</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 262,174</b>	<b>\$ 0</b>	<b>\$ 50,000</b>	<b>\$ 312,174</b>	<b>\$ 334,604</b>

See accompanying notes and independent auditor's report.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017 (with comparative totals for 2016)

	2017				2016
	Program Services	Management and General	Fundraising Expenses	Total Expenses	Total (Memo) Expenses
Salaries	\$ 225,697	\$ 110,942	\$ 58,370	\$ 395,009	\$ 399,924
Payroll taxes	16,935	9,567	4,670	31,172	28,334
Employee benefits	24,804	18,354	10,161	53,319	62,495
VOCA program expense	802,968	0	0	802,968	582,277
VOCA program match expense	16,130	0	0	16,130	13,987
Program expense	1,241,648	0	0	1,241,648	1,404,934
Travel	7,912	9,205	367	17,484	21,778
Professional services	34,352	3,580	0	37,932	50,613
Meetings	9,291	18,647	0	27,938	31,613
Occupancy	11,136	7,730	286	19,152	13,811
Dues and subscriptions	11,688	4,348	0	16,036	14,050
Office supplies	4,248	2,605	0	6,853	6,996
Telephone and internet	4,073	2,148	118	6,339	6,252
Insurance	4,022	2,326	0	6,348	5,690
Equipment rental	627	1,107	0	1,734	1,194
Depreciation	0	2,713	0	2,713	2,979
Peer review	1,135	44	0	1,179	968
Technology purchases	75	329	0	404	804
Postage	271	192	0	463	1,160
Interest expense	2,013	2,461	0	4,474	1,114
	<u>\$ 2,419,025</u>	<u>\$ 196,298</u>	<u>\$ 73,972</u>	<u>\$ 2,689,295</u>	<u>\$ 2,650,973</u>
Total expenses	<u>\$ 2,419,025</u>	<u>\$ 196,298</u>	<u>\$ 73,972</u>	<u>\$ 2,689,295</u>	<u>\$ 2,650,973</u>

See accompanying notes and independent auditor's report.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,430)	\$ (135,066)
Non-cash items		
Depreciation	2,713	2,979
(Increase) Decrease in value of endowment fund	(8,443)	(2,620)
(Increase) Decrease in value of securities	(22,350)	(10,946)
Decrease (increase) in assets		
Cash held for the benefit of others	(72,076)	(37,903)
Receivables	99,971	(255,846)
Prepaid expenses	3,528	(4,073)
Increase (decrease) in liabilities		
Accounts payable	(78,051)	11,334
Accrued payroll liabilities	2,139	3,470
Amounts held for the benefit of others	72,076	37,903
Other accrued expenses and deferred revenue	28,510	3,120
<b>NET CASH PROVIDE BY (USED IN) OPERATING ACTIVITIES</b>	<b>5,587</b>	<b>(387,648)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	0	(1,105)
Received from the endowment fund	6,542	3,614
Proceeds from the sale of securities	0	30,000
Proceeds from redemption of certificates of deposit	0	63,694
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>6,542</b>	<b>96,203</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds (payments) on line of credit	112,347	33,002
Net short term borrowing	(97,000)	97,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>15,347</b>	<b>130,002</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>27,476</b>	<b>(161,443)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>53,237</b>	<b>214,680</b>
<b>CASH, END OF YEAR</b>	<b>\$ 80,713</b>	<b>\$ 53,237</b>
Interest paid during the year	\$ 4,474	\$ 42

See accompanying notes and independent auditor's report.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**(1) Nature of operations**

Indiana Youth Services Association, Inc. (IYSA) was incorporated on March 27, 1973, as an Indiana Not-for-Profit Organization. IYSA provides support and mutual assistance to members, maintain and disperse centralized information on the needs of youth and families, promote community awareness of the needs of youth and families within the State of Indiana, advocate issues pertaining to youth and families; encourage alternatives to the juvenile justice systems, act as a resource for youth and links with other youth service programs, and advocate the rights of youth. Funding of these programs come through membership dues, and government and private grants.

**(2) Summary of significant accounting policies**

The significant accounting policies followed by IYSA are summarized below.

**Method of accounting**

IYSA uses the accrual method of accounting. Revenue is recorded in the period earned. Expenses are reported in the period incurred.

**Contributions**

Contributions that are restricted by the donor (cash or non-cash) are reported as increases in unrestricted net assets if the restrictions expire in the 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

**Tax Status**

IYSA has been determined to be exempt from state and federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. There were no payments for penalties and interest related to taxes during the years ended December 31, 2017 and 2016.

**Subsequent events**

Subsequent events have been evaluated as of the date of the report letter, the date the financial statements were available for release.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### (2) Summary of significant accounting policies(continued)

#### **Program services**

The following program services are included in the financial statements:

##### **Project Safe Place**

This program is funded by the Indiana Department of Child Services (DCS). This is a cost reimbursement program. IYSA provides the administrative function for this program for the Youth Service Bureaus. The Youth Service Bureaus currently provide services under this program.

##### **Youth Service Bureau Fund**

The purpose of this contract is to provide administrative oversight of the Youth Service Bureau Fund on behalf of the DCS. IYSA provides peer reviews, provisional contract follow-up, quarterly report processing, monthly claims approval, and quarterly trainings.

##### **Making Good Decisions**

The Making Good Decisions program educates teens and young adults on the dangers of underage drinking and destructive behaviors.

##### **Mission Management Services**

Mission Management Services provides consulting and bookkeeping services to organization based on hourly and contract rates.

#### **Net assets**

Unrestricted net assets include all assets over which IYSA has full discretion as to use. Temporarily restricted net assets include net assets whose use by IYSA is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by IYSA. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Permanently restricted net assets, if any, include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the action of IYSA.

#### **Use of estimates**

The presentation 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.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### (2) Summary of significant accounting policies(continued)

#### **Functional allocation of expenses**

The direct costs of providing various programs of IYSA have been allocated on a functional basis between programming, general and administrative and fundraising in the statement of activities.

#### **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, IYSA considers all liquid investments with a maturity of three months or less to be cash equivalents.

#### **Investments**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Equipment**

Equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of five to ten years. IYSA's policy is to capitalize amounts over \$1,000 with useful lives of more than one year. Repairs and maintenance items that do not increase the useful lives of the assets are charged to change in net assets as incurred.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### **(3) Concentration of credit risk**

IYSA relies on funding from various sources to run its program. IYSA's members are located in the state of Indiana. IYSA receives contract revenue from the state of Indiana, Department of Child Services. Revenue from the state of Indiana represented 57% and 57% of total revenue for the year ended December 31, 2017 and 2016, respectively. IYSA received 29% and 23% of the total revenue under the VOCA grant for the years ended December 31, 2017 and 2016, respectively.

### **(4) Investments/Endowment fund**

During 2003, IYSA was the recipient of a donor designated endowment fund in the amount of \$50,000. The purpose of the endowment, designated as the Indiana Youth Services Association, Inc. Endowment Fund (the Fund), is to assist IYSA in carrying out its role and mission. The Fund is being administered and governed by the Central Indiana Community Foundation, Inc. (CICF). Annually, IYSA can receive a portion of the fair market value of the Fund as of the end of the previous calendar year in according with the spending policies adopted by the Board of Directors of CICF. The amount available for distribution to IYSA in 2017 and 2016 is 5.0% of the fair market value less any carryover spendable amount as of the end of the year is available for distribution to IYSA. The Fund is presented in the Statement of Financial Position at December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets	\$ 20,234	\$ 18,332
Temporarily restricted net assets	0	0
Permanently restricted net assets	<u>50,000</u>	<u>50,000</u>
	<u>\$ 70,234</u>	<u>\$ 68,332</u>

Donations to these funds are permanently endowed. Annually, the Foundation will allow a portion of the earnings to be returned IYSA in the form of a grant. If these earnings are not taken by IYSA, they are reinvested in the endowment funds and become permanently restricted. Amounts available to be returned to IYSA during 2018 included \$3,512 representing amounts earned prior to 2018.

The reconciliation of activity of the endowment fund is listed below.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### (4) Investments/Endowment fund(continued)

IYSA maintains investments at Raymond James Securities, through First Financial Bank Investments. These investments are recorded at fair market value. The investments consist of the following as of December 31, 2017:

	2017			
	Shares Held	Fair Value	Cost	Realized Gain
<u>Mutual Funds Held</u>				
American Funds AMCAP Fund Class F1	257.117	\$ 8,027	\$ 7,030	\$ 997
Artisan International Fund	178.195	5,939	4,451	1,488
DWS RREEF Real Estate Securities Fund Class A	379.719	7,742	7,992	(250)
Fundamental Investors Fund Class F1	395.622	24,596	20,312	4,284
Janus Henderson (fka Perkins) Mid Cap Value Fund Class A	1,222.202	20,582	21,080	(499)
MFS Research Fund Class A	244.940	10,312	7,731	2,581
New Perspective Fund Class F1	421.886	18,095	14,719	3,376
Prudential Jennison Mid Cap Growth Fund Class Z	250.663	9,540	8,813	727
T. Rowe Price Small Cap Value Fund Advisor Class	356.746	17,413	14,379	3,034
Wells Fargo Advantage Endeavor Select Fund Admin Class	1,009.040	9,202	5,943	3,259
Wells Fargo Advantage International Value Fund Admin Class	149.175	2,367	1,902	466
Total mutual funds held at Raymond James		\$ 133,816	\$ 114,354	\$ 19,462
Uninvested cash		1,499	1,499	0
Total investments held at Raymond James		\$ 135,315	\$ 115,853	\$ 19,462

Investment income from the above investments consists of the following as of December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 9,917	\$ 7,976
Net realized and unrealized gain on investments	20,908	5,266
Net investment income	\$ 30,825	\$ 13,242

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 2016

### (4) Investments/Endowment fund(continued)

The fair values of all investments held by IYSA measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>2017</u>				
Beneficial interest in IYSA Endowment Fund	\$ 70,234	\$ 0	\$ 0	\$ 70,234
Securities held at Raymond James	<u>135,316</u>	<u>133,816</u>	<u>1,499</u>	<u>0</u>
Total	<u>\$ 205,550</u>	<u>\$ 133,816</u>	<u>\$ 1,499</u>	<u>\$ 70,234</u>
<u>2016</u>				
Beneficial interest in IYSA Endowment Fund	\$ 68,332	\$ 0	\$ 0	\$ 68,332
Securities held at Raymond James	<u>112,959</u>	<u>111,979</u>	<u>981</u>	<u>0</u>
Total	<u>\$ 181,291</u>	<u>\$ 111,979</u>	<u>\$ 981</u>	<u>\$ 68,332</u>

The reconciliation of the level 3 assets for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance beginning of year	\$ 68,332	\$ 69,326
Earnings on Investments	9,149	3,249
Distributions	(6,540)	(3,564)
Investment management fees	<u>(707)</u>	<u>(679)</u>
	<u>\$ 70,234</u>	<u>\$ 68,332</u>

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### (5) Equipment

Equipment consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 17,230	\$ 17,230
less accumulated depreciation	<u>14,875</u>	<u>12,163</u>
Furniture and equipment, net	<u>\$ 2,355</u>	<u>\$ 5,067</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$2,713 and \$2,979, respectively.

### (6) Grants

IYSA was the recipient of a grant through the Indiana Criminal Justice Institute under the Victims of Crime Act (VOCA) program, CFDA number 16.575. The grant is for \$618,113 and ran for the period October 1, 2015 through September 30, 2016. The grant was renewed through September 30, 2018 in the amount of \$2,458,441 for the period. Amounts billed under this grant totaled \$802,968 and \$582,277 for the years ended December 31, 2017 and 2016, respectively. Included in accounts receivable as of December 31, 2017 and 2016 is \$179,585 and \$240,656 for services rendered under the grant.

IYSA received a grant from the Department of Health and Human Services to cover expenses of the Basic Center Program under CFDA 93.623, Basic Center Grant. The grant ran from October 1, 2015 through September 30, 2016. This grant was not renewed. Total grant dollars available under this contract were \$126,190. Amounts billed and included in grant revenue for 2017 and 2016 were \$0 and \$91,101.

For the year ended December 31, 2017 and 2016, IYSA billed the state of Indiana \$1,380,950 and \$1,432,959 for services related to the Youth Service Bureau contract, as described in Note 9 below. Included in accounts receivable is \$266,616 and \$297,613 for services provided prior to December 31, 2017 and 2016, respectively. Amounts paid out to participating agencies totaled \$1,209,243 and \$1,238,859 for the years ended December 31, 2017 and 2016. Included in accounts payable due to these agencies, as of December 31, 2017 and 2016 is \$211,251 and \$262,407.

There are no unspent grants at December 31, 2017 and 2016 required to be set up as temporarily restricted net assets.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### **(7) Operating Leases**

IYSA leases its office space and equipment under operating leases. Lease payments for the years ending December 31, 2017 and 2016 were \$34,416 and \$28,262. In January 2016, IYSA entered into a one year lease for additional office space at a net cost of \$400 per month, and during 2016 entered into a one year lease agreement at \$700 per month for the purposes of operations related to the VOCA grant. The office lease expired in July 2017 and has been renewed through March 2021. The net future minimum lease payments for the next 5 years are as follows:

Year ended December 31, 2018	\$ 26,232
2019	30,840
2020	30,840
2021	7,710
2022	<u>0</u>
Total	<u>\$ 95,622</u>

### **(8) Retirement Plan**

IYSA provides for payment into an IRC 401 (k) plan for all of its employees, who meet the minimum age and service requirements, with a contribution of 5% of each eligible employee's compensation. In 2016, the 401 (k) plan was terminated and a SIMPLE IRA match was established. Total expenses for the years ended December 31, 2017 and 2016 were \$39,856 and \$29,525, respectively. As of December 31, 2017 and 2016, \$15,433 and \$14,648, respectively, have been set up as employer retirement contributions payable.

### **(9) Commitments**

IYSA entered into a contract with the Indiana Department of Child Services to provide YSB Administration Services and PSP Administration Services (Project Safe Place) to all participating agencies in the State of Indiana. This contract began August 9, 2013 and ran until June 30, 2017. IYSA will receive \$1,515,692 for the period July 2016 through June 2017 for Youth Service Bureau (YSB) Administration Services. The contract was renewed for the period July 2017 through June 2018 in the amount of \$1,415,699. Amounts recognized in 2017 and 2016 under this contract totaled \$1,380,950 and \$1,432,959, respectively. Amounts still available under this contract as of December 31, 2017 total \$751,426 available to the YSBs and \$67,500 for administering the contract.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

### **(10) Line of Credit/Short term borrowing**

During 2016, IYSA entered into a line of credit in the amount of \$50,000. The line of credit matured in February 2017. The line of credit has an annual interest rate of 3.5%. Amounts borrowed and outstanding on the line as of December 31, 2016 totaled \$33,002. The line of credit is secured by certain assets of IYSA.

In addition to the line of credit, IYSA entered into a short-term loan in October 2016, with maturity in April 2017, in the amount of \$97,000. Interest on this note was 3.5% as of December 31, 2016. The balance on this note was \$97,000 as of December 31, 2016. This loan was secured by assets of IYSA. This short-term borrowing was paid off in March 2017.

In March 2017, IYSA restructured the line of credit and the short term note into a line of credit in the amount of \$150,000, maturing in February 2018. This line was renewed through February 2019. Interest on the new line of credit was 3.75%. \$50,000 of this line of credit is secured by the assets of IYSA, and \$100,000 of the new line is secured based on the grant agreement with the Indiana Criminal Justice Institute. The balance of this line of credit is \$145,349 as of December 31, 2017.

### **(11) Assets held on behalf of another**

In 2015, IYSA became the fiscal agent for Magnify Learning, an independent organization that had been formed and as of the financial statement date was awaiting approval of its tax exempt status with the IRS. The approval was submitted to the IRS in December 2017 and final determination was received in May 2018. Magnify Learning formally incorporated with the State of Indiana in December 2017.

For the years ended December 31, 2017 and 2016, the net operations from Magnify Learning have not been included in the statement of activities or in the statement of functional expenses. Revenue reported by Magnify Learning for the years ended December 31, 2017 and 2016 totaled \$372,447 and \$217,922, which included accounts receivable of \$0 and \$0 as of December 31, 2017 and 2016. Expenses reported by Magnify Learning was \$300,939 and \$210,915 and included accounts payable of \$14,315 and \$11,443 as of December 31, 2017 and 2016. Cash held on behalf of Magnify Learning was \$124,568 and \$52,581 as of December 31, 2017 and 2016 and an offsetting payable has been recorded on IYSA's financial statements.

# INDIANA YOUTH SERVICES ASSOCIATION, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2017

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
<u>Major Program</u>			
U.S. Department of Justice			
Pass through from Indiana Criminal Justice Institute			
Victims of Crime Acts (VOCA)	16.575	\$ <u>802,968</u>	\$ <u>0</u>
Total funding for all major programs		\$ <u>802,698</u>	\$ <u>0</u>

**Note 1-Basis Presentation**

This schedule of expenditures of federal awards includes the federal grant activity of IYSA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

IYSA has elected to not use the ten (10) percent de Minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance for Federal Awards.



**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**

Board of Directors  
Indiana Youth Services Association, Inc.  
Indianapolis, IN

We have audited, 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 financial statements of Indiana Youth Services Association, Inc., (IYSA), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and cash flows for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon August 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IYSA'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 IYSA's internal control. Accordingly, we do not express an opinion on the effectiveness of IYSA'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 preceding 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Humphrey CPA Group, L.P.C.*

Indianapolis, Indiana

August 1, 2018



Humphrey CPA Group, L.L.C.

[www.HumphreyCPAGroup.com](http://www.HumphreyCPAGroup.com)

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Indiana Youth Services Association, Inc,  
Indianapolis, IN

**Report on Compliance for Each Major Federal Program**

We have audited Indiana Youth Services Association, Inc.'s (IYSA) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of IYSA's major federal programs for the year ended December 31, 2017. IYSA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of IYSA'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*, is-sued by the Comptroller General of the United States; and the audit requirements of Title 2 US. 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 IYSA'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 ISYA's compliance.

**Opinion on Major Federal Program**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

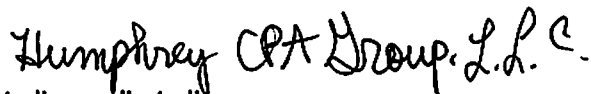
**Report on Internal Control Over Compliance**

Management of IYSA is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit, we considered the IYSA'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 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 the Agency's internal control over compliance.

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

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

This 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.

  
Indianapolis, Indiana  
August 1, 2018

**INDIANA YOUTH SERVICES ASSOCIATION, INC.**  
**FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

No material weaknesses were identified  
No significant deficiencies were identified.

No instances of noncompliance material to the financial statements were noted.

Federal Awards

Internal control over major programs:

No material weaknesses were identified  
No significant deficiencies were identified.

Type of auditor's report issued on compliance for  
Major programs:

UNMODIFIED

No audit findings were disclosed that are required to be reported in accordance with Section 2 CFS 200.516(a).

Identification of major programs:

CFDA Number 16.575 Victim of Crime Act (VOCA)

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

The auditee does not qualify as a low-risk auditee.

Section II - Financial Statement Findings

No findings were identified.

Section III - Federal Award Findings and Questioned Costs

No findings were identified.