



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B52536

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 9, 2019

Board of Directors  
Family Ark, Inc.  
101 Noah's Lane  
Jeffersonville, IN 47130

We have reviewed the audit report of Family Ark, Inc. which was opined upon by Bowden & Wood, 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 Family Ark, 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.

We call your attention to the Emphasis-of-Matter paragraph included in the Independent Auditors' Report and further detailed in Note J.

In our opinion, Bowden & Wood prepared the audit report in accordance with 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 ARK, INC.  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

## CONTENTS

	Page
Independent auditors' report	1
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	8



# BOWDEN & WOOD

CERTIFIED PUBLIC ACCOUNTANTS

E. A. BOWDEN, CPA (1906-1995)  
ROLAND M. WOOD, III, CPA (1943-2003)

MARK A. SCHAEFFER, CPA  
NICHOLAS M. SCHAEFER, CPA  
BRIAN E. MOSS, CPA

ASSOCIATES  
JUDY L. GIBSON, CPA  
JOHN D. ERB, CPA  
KIMBERLY M. STILLWELL, CPA  
PHILIP J. AMSHOFF, CPA

July 18, 2018

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Family Ark, Inc.  
Jeffersonville, Indiana

We have audited the accompanying financial statements of Family Ark, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, 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.

### Auditors' 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. 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 auditors' 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.

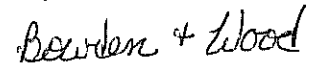
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Ark, Inc., as of December 31, 2017, 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.

**Emphasis of Matter**

As discussed in note J, the Organization has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in note J. Our opinion is not modified with respect to this matter.

Respectfully submitted,



Bowden & Wood, PLLC  
Certified Public Accountants

FAMILY ARK, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 166 082
Investments	360 961
Accounts receivable, less allowance for insurance adjustments of \$34,321	295 116
Prepaid expenses	<u>6 526</u>
Total current assets	<u>828 685</u>
Property and equipment:	
Land	18 919
Buildings and improvements	811 869
Furniture and equipment	232 656
Automobiles	<u>89 272</u>
	1 152 716
Less accumulated depreciation	<u>405 816</u>
	<u>746 900</u>
Total assets	<u>1 575 585</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	50 583
Accrued expenses	56 744
Note payable	<u>75 032</u>
Total current liabilities	<u>182 359</u>
Long-term liabilities:	
Note payable, current portion	<u>12 613</u>
Total liabilities	<u>194 972</u>
Net assets:	
Unrestricted	1 375 613
Temporarily restricted	<u>5 000</u>
Total net assets	<u>1 380 613</u>
Total liabilities and net assets	<u>1 575 585</u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Program service fees:			
Inpatient - foster care	\$ 984 441		\$ 984 441
Outpatient - specialized treatment	<u>932 579</u>		<u>932 579</u>
Total program service fees	1 917 020		1 917 020
Contributions and grants	25 411	5 000	30 411
Special events	20 160		20 160
Investment income	11 232		11 232
Gain on sale of investments	3 964		3 964
Unrealized gain on investments	22 318		22 318
Other income	<u>8 023</u>		<u>8 023</u>
Total other revenues	91 108	5 000	96 108
Net assets released from restrictions	<u>10 000</u>	<u>(10 000)</u>	
Total revenues, gains and other support	2 018 128	(5 000)	2 013 128
Expenses			
Program services	1 839 321		1 839 321
General and administrative	338 353		338 353
Fund-raising	<u>3 045</u>		<u>3 045</u>
Total expenses	2 180 719		2 180 719
Net decrease in total net assets	(162 591)	(5 000)	(167 591)
Net assets at beginning of year	<u>1 538 204</u>	<u>10 000</u>	<u>1 548 204</u>
Net assets at end of year	<u>1 375 613</u>	<u>5 000</u>	<u>1 380 613</u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	General and Administrative	Fund-raising	Total Expenses
Salaries and employee benefits:				
Salaries	\$ 968 023	\$218 380		\$1 186 403
Employee benefits	93 111	28 247		121 358
Payroll taxes	<u>64 118</u>	<u>35 189</u>		<u>99 307</u>
Total salaries and employee benefits	1 125 252	281 816		1 407 068
Foster parent payments	359 967	-0-		359 967
Professional fees	22 317	4 899		27 216
Depreciation	37 121	8 149		45 270
Insurance	35 069	7 698		42 767
Bad debt	70 233	-0-		70 233
IT	17 145	3 763		20 908
Repairs and maintenance	18 695	4 104		22 799
Utilities	17 897	3 929		21 826
Travel	13 921	3 056		16 977
Telephone	15 910	3 492		19 402
Professional development	8 198	1 800		9 998
Interest	5 067	1 112		6 179
Supplies	3 834	842		4 676
Licensing	6 630	1 455		8 085
Investment fees	3 500	768		4 268
Recruitment	4 508	989		5 497
Dues and subscriptions	5 423	1 191		6 614
Program activities	3 388	-0-		3 388
Miscellaneous	3 831	841		4 672
Employment	23 220	5 097		28 317
Scholarship award	1 000	-0-		1 000
Advertising and marketing	174	38		212
Food	381	243	\$2 020	2 644
Grants	5 725	1 257		6 982
Postage	1 376	302		1 678
Banking fees	1 472	323		1 795
Foster parent training	1 197	-0-		1 197
Special events		-0-	1 025	1 025
Rent	1 790	393		2 183
Printing	3 628	796		4 424
Billing service	<u>21 452</u>	<u>-0-</u>		<u>21 452</u>
Total expenses	<u>1 839 321</u>	<u>338 353</u>	<u>3 045</u>	<u>2 180 719</u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from services provided	\$1 925 043
Cash paid to suppliers and employees	(2 208 624)
Contributions and grants received	50 571
Cash received from other income	8 023
Interest paid	<u>(6 179)</u>
Net cash used in operating activities	(231 166)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(18 826)
Purchases of investments	(322 588)
Proceeds from sales of investments	<u>765 119</u>
Net cash provided by investing activities	423 705
CASH FLOWS USED IN FINANCING ACTIVITIES	
Principal payments on note payable	(71 067)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>121 472</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>44 610</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>166 082</u></u>

See notes to financial statements

FAMILY ARK, INC.  
STATEMENT OF CASH FLOWS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017

Reconciliation of net decrease in total net assets to net cash used in operating activities	
Net decrease in total net assets	\$(167 591)
Adjustments to reconcile net decrease in total net assets to net cash used in operating activities:	
Depreciation	45 270
Change in allowance accounts	22 456
Net investment income reinvested	(11 232)
Gain on sale of investments	(3 964)
Unrealized gain on investments	(22 318)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(25 162)
Prepaid expenses	4 227
Increase (decrease) in liabilities:	
Accounts payable	(51 845)
Accrued expenses	<u>1 502</u>
Total adjustments	<u>(71 278)</u>
Net cash used in operating activities	<u>(208 657)</u>

See notes to financial statements.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Family Ark, Inc. (the Organization), located in Jeffersonville, Indiana, is a not-for-profit organization which operates facilities, develops programs and provides services for the care of children and families in Southern Indiana.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Family Ark, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

NET ASSET CLASSIFICATION

Resources are classified for accounting and reporting purposes into the following net asset classes according to externally imposed restrictions:

Unrestricted net assets - Unrestricted net assets are not subject to any donor-imposed restrictions. Unrestricted net assets include assets designated by the board for particular purposes.

Temporarily restricted net assets - Temporarily restricted net assets include net assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

SERVICE REVENUES

Service revenues are reported at the estimated net realizable amounts from individuals and third-party payers for services rendered. The principal source of revenue to the Organization is appropriations received from Indiana for the counties served. The courts will appropriate funds for the care of each child who is sent to the Organization for placement in foster homes and home based services. Such funds are then used by the Organization to pay foster parents and operating overhead including staff and counselors' salaries. Approximately 80% of service fees were derived from services provided under contracts with the Indiana Department of Child Services (DCS). Receivables from the DCS total approximately 89% of the accounts receivable for services at December 31, 2017. The current level of the Organization's program services may be impacted if the funding by the DCS significantly changes.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers only unrestricted cash and investments with original maturities of three months or less, excluding those held in the investment portfolio, to be cash and cash equivalents.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

The valuation of accounts receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts to determine if write-offs are necessary.

INVESTMENTS

Investments are recorded at fair market value. See note C for discussion of fair value measurements.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or at fair market value as of the date of donation, if donated. The Organization's policy is to capitalize asset purchase exceeding \$2,000. Depreciation is calculated using the straight-line and double-declining balance methods over the assets' useful lives.

COMPENSATED ABSENCES

Employees of the Organization are entitled to paid leave, including vacation and sick time depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future sick pay, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of sick absences when actually paid to employees.

CONTRIBUTIONS OTHER THAN CASH

Contributions other than cash are recorded at their fair market value as of the date of donation. Contributed services must meet the specific expertise requirements and would normally have been purchased before they are recorded. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

ADVERTISING

The Organization charges the costs of advertising to expense as incurred. Total advertising costs for the year ended December 31, 2017 were \$212.

INCOME TAXES

Family, Ark, Inc. is exempt from federal, state and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). Family Ark, Inc. files an informational tax return in the U.S. federal jurisdiction. However, income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

As of December 31, 2017, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the year then ended.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NEWLY ISSUED STANDARDS NOT YET EFFECTIVE

The Financial Accounting Standards Board has issued accounting standards No. 2014-09, *Revenue from Contracts with Customers*, concerning the accounting for revenue recognition effective for years beginning after December 15, 2018 (per No. 2015-2014) and No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* effective for years beginning after December 15, 2017. The Company is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.

B INVESTMENTS

Cost and market value of investments consisted of the following as of December 31, 2017:

	Cost	Market value	Unrealized appreciation (depreciation)
Cash and cash equivalents	\$ 35 469	\$ 35 469	
Bond funds	14 066	13 996	\$ (70)
Equity funds	<u>288 072</u>	<u>311 496</u>	<u>23 424</u>
Total investments	<u>337 607</u>	<u>360 961</u>	<u>23 354</u>

C FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

C FAIR VALUE MEASUREMENTS (continued)

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or 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.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2017.

Bond and equity funds - valued based on quoted prices for similar assets from observable pricing sources.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2017:

	Level 1
Cash and cash equivalents	\$ 35 469
Bond funds	13 996
Equity funds	<u>311 496</u>
	<u>360 961</u>

D PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017:

Description

Furniture and fixtures	\$	6 529
Computer and office equipment		326 703
Vehicles		89 272
Leasehold improvements		15 545
Buildings		656 760
Land		<u>57 907</u>
		1 152 716
Less accumulated depreciation and amortization		<u>(405 816)</u>
Net property and equipment		<u>746 900</u>

Depreciation and amortization expense was \$45,270 for the year ended December 31, 2017.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

E NOTE PAYABLE

The note payable consists of the following as of December 31, 2017:

Mortgage note payable to WesBanco, stated interest rate of 5.59%, payable in monthly principal and interest payments of \$6,502 through February 2019. The note is secured by the real estate.	\$87 645
Less current maturities	<u>(75 032)</u>
	<u>12 613</u>

Future principal maturities on the note payable as of December 31, 2017 are as follows:

Year ending December 31,	2019	\$12 613
--------------------------	------	----------

Total interest expense for the year ending December 31, 2017 was \$6,179.

F RETIREMENT PLAN

The Organization has a 403(b) plan, which allows employees to defer a percentage of their wages and covers substantially all employees who meet certain requirements. The Organization matches 50% of employee deferrals up to 4% of the employee's wages for a maximum match of 2%. Effective July 1, 2017 the Organization placed a freeze on their match. Total expense under the plan was \$2,644 for the year ended December 31, 2017.

G CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets during the year ended December 31, 2017 are as follows:

	Balance 12/31/16	Contributions/ grants	Released	Balance 12/31/17
Contributions restricted for:				
Playground renovations	\$10 000		\$(10 000)	\$ -0-
2018 operations		<u>\$5 000</u>		<u>5 000</u>
	<u>10 000</u>	<u>5 000</u>	<u>(10 000)</u>	<u>5 000</u>

Cash and cash equivalents of \$5,000 are restricted for the above purposes.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

H RENTAL INCOME

The Organization currently leases a portion of its property to an unrelated third party. Rental income for the year ended December 31, 2017 was \$6,760.

I CONCENTRATION OF CREDIT RISK

The Organization has significant investments in bond and equity funds held by an investment manager and are, therefore, subject to concentrations of credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

J OPERATIONS

The Organization incurred a net loss of \$167,591 during the year ended December 31, 2017 and \$564,768 for the year ended December 31, 2016. Additionally, during 2017, the Organization used, rather than provided, cash in its operations of \$208,657. Approximately \$395,000 was withdrawn from the Organization's investment accounts to fund operations. Those factors create an uncertainty about the Organization's ability to continue as a going concern through July 18, 2019 (one year after issuance of the accompanying financial statements).

Management has determined that these factors are significant as they relate to the ability of the Organization to meet its financial obligations. Therefore, management has developed a plan which alleviates the uncertainty about the Organization's ability to continue as a going concern. The plan includes mitigating losses for 2018 by cutting operating expenses and increasing program revenue. The plan includes increasing productivity in Home-Based Services, Behavioral Health Center and increasing capacity of foster homes. Outsourcing billing for the Behavioral Health center to improve cash flow has been implemented as well as reduction in administrative staff. The mortgage on the property will be paid off in early 2019, which will provide additional funds for the Organization. Additionally, investment funds will be utilized to fund operations to the extent required by cash flow needs.