



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B53807

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


November 22, 2019

Board of Directors
Child and Parent Services, Inc.
1000 W. Hively Avenue
Elkhart, IN 46517

We have reviewed the audit report of Child and Parent Services, Inc. which was opined upon by Kruggel, Lawton & Company 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 Child and Parent Services, 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, Kruggel, Lawton & Company LLC 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, CPA
State Examiner



ANNUAL REPORT
December 31, 2017

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

ANNUAL REPORT

December 31, 2017

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 20
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	21 - 22
ADDITIONAL REQUIRED REPORTS AND INFORMATION	
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 <i>Government Auditing Standards</i>	23 - 24
Independent Auditor's Report On Compliance For Each Major Program and On Internal Control Over Compliance Required By the Uniform Guidance	25 - 26
Schedule of Findings and Questioned Costs	27 - 28
Summary Schedule of Prior Audit Findings	29



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child and Parent Services, Inc.
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Child and Parent Services, Inc., 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child and Parent Services, 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.

Other Matters

Other Information

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

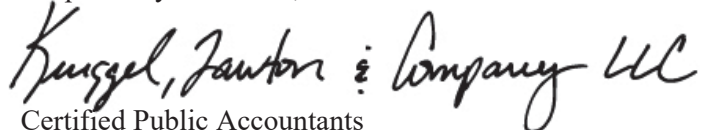
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018, on our consideration of Child and Parent Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Child and Parent Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child and Parent Services, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Child and Parent Services, Inc. as of and for the year ended December 31, 2016, were audited by other auditors whose report dated July 19, 2017, expressed an unmodified opinion on those statements.

Respectfully submitted,


Certified Public Accountants

Elkhart, Indiana
August 15, 2018

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	647,014	510,876
Accounts receivable, net	59,074	39,049
Pledges receivable, current	573,621	135,250
Grants receivable	278,911	317,503
Prepaid expenses	34,163	61,118
Total Current Assets	1,592,783	1,063,796
PROPERTY AND EQUIPMENT		
Building and building improvements	5,127,097	2,161,401
Furniture and equipment	327,140	140,554
Software and technology	216,376	64,284
Land	120,998	120,998
Total	5,791,611	2,487,237
Accumulated depreciation	(179,589)	(927,892)
Net Property and Equipment	5,612,022	1,559,345
LONG-TERM ASSETS		
Pledges receivable, long-term	289,169	1,788,236
Investments	1,898,915	4,356,330
Beneficial interest in assets held by the Community Foundation	141,706	128,462
Total Long-term Assets	2,329,790	6,273,028
TOTAL ASSETS	9,534,595	8,896,169

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of credit	450,000	0
Accounts payable	138,514	386,776
Accrued liabilities	197,663	181,568
Deferred revenue	0	5,000
Total Current Liabilities	786,177	573,344
TOTAL LIABILITIES	786,177	573,344
NET ASSETS		
Unrestricted		
Unrestricted net assets - undesignated	5,975,083	2,608,495
Unrestricted net assets - board designated	803,979	689,360
Temporarily restricted net assets	1,346,029	4,401,643
Permanently restricted net assets	623,327	623,327
TOTAL NET ASSETS	8,748,418	8,322,825
TOTAL LIABILITIES AND NET ASSETS	9,534,595	8,896,169

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions and memorials	1,002,721	0	0	1,002,721
Federal grants	1,314,690	0	0	1,314,690
Other grants	1,004,176	31,350	0	1,035,526
Service fees and other income	386,216	0	0	386,216
Fundraising, net of expenses	232,394	0	0	232,394
Change in beneficial interest	13,244	0	0	13,244
Investment income, net	114,811	63,637	0	178,448
Loss on disposal of assets	(101,460)	0	0	(101,460)
Total Revenue	3,966,792	94,987	0	4,061,779
Net assets released from restrictions:				
Satisfaction of restrictions	3,150,601	(3,150,601)	0	0
EXPENSES				
Program				
Outreach	93,558	0	0	93,558
Building Blocks Preschool	315,320	0	0	315,320
Parent Education	284,862	0	0	284,862
Parent Aide	410,351	0	0	410,351
Healthy Families	1,214,026	0	0	1,214,026
Court Appointed Special Advocate	201,907	0	0	201,907
Guardian Ad Litem	81,826	0	0	81,826
Child and Family Advocacy Center	176,600	0	0	176,600
Supervised Visits	111,917	0	0	111,917
Positive Parenting Program	75,094	0	0	75,094
Total program	2,965,461	0	0	2,965,461
Fundraising	168,876	0	0	168,876
General and administrative	501,849	0	0	501,849
Total Expenses	3,636,186	0	0	3,636,186
CHANGE IN NET ASSETS	3,481,207	(3,055,614)	0	425,593
NET ASSETS, BEGINNING OF YEAR	3,297,855	4,401,643	623,327	8,322,825
NET ASSETS, END OF YEAR	6,779,062	1,346,029	623,327	8,748,418

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions and memorials	386,717	3,031,545	0	3,418,262
Federal grants	1,243,572	0	0	1,243,572
Other grants	1,041,157	0	0	1,041,157
Service fees and other income	369,697	0	0	369,697
Fundraising, net of expenses	388,194	0	0	388,194
Change in beneficial interest	7,681	0	0	7,681
Investment income, net	10,069	272,167	0	282,236
Total Revenue	3,447,087	3,303,712	0	6,750,799
Net assets released from restrictions:				
Satisfaction of restrictions	1,354,398	(1,354,398)	0	0
EXPENSES				
Program				
Outreach	116,567	0	0	116,567
Building Blocks Preschool	288,250	0	0	288,250
Parent Education	307,874	0	0	307,874
Parent Aide	361,881	0	0	361,881
Healthy Families	1,222,824	0	0	1,222,824
Court Appointed Special Advocate	196,575	0	0	196,575
Guardian Ad Litem	78,284	0	0	78,284
Child and Family Advocacy Center	175,984	0	0	175,984
Supervised Visits	116,216	0	0	116,216
Positive Parenting Program	59,358	0	0	59,358
Total program	2,923,813	0	0	2,923,813
Fundraising	269,296	0	0	269,296
General and administrative	451,445	0	0	451,445
Total Expenses	3,644,554	0	0	3,644,554
CHANGE IN NET ASSETS	1,156,931	1,949,314	0	3,106,245
NET ASSETS, BEGINNING OF YEAR	2,140,924	2,452,329	623,327	5,216,580
NET ASSETS, END OF YEAR	3,297,855	4,401,643	623,327	8,322,825

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	<u>Outreach</u>	<u>Building Blocks Preschool</u>	<u>Parent Education</u>	<u>Parent Aide</u>	<u>Healthy Families</u>	<u>Court Appointed Special Advocate</u>	<u>Guardian ad Litem</u>	<u>Child and Family Advocacy Center</u>	<u>Supervised Visits</u>	<u>Positive Parenting Program</u>	<u>Fundraising</u>	<u>General and Admin</u>	<u>Total</u>
Salaries	54,489	209,501	188,200	272,591	843,869	138,553	63,502	123,079	85,373	55,817	127,905	325,909	2,488,788
Employee benefits	535	10,135	14,443	29,040	51,547	9,495	3,986	4,802	854	4,095	3,243	26,555	158,730
Payroll taxes	4,094	14,243	13,475	18,583	60,559	9,820	4,458	8,982	6,497	3,954	9,507	23,453	177,625
Professional fees	0	0	0	0	12,400	0	0	0	0	0	0	12,222	24,622
Food supplies	1,372	4,911	4,768	60	184	5	43	4	3	655	270	1,007	13,282
Supplies	2,853	6,551	3,716	5,017	10,635	2,963	898	2,806	2,156	2,109	1,871	6,794	48,369
Telephone	152	1,109	745	3,895	10,346	1,978	248	565	505	877	295	2,929	23,644
Postage	324	207	311	376	1,496	480	1,817	169	270	37	1,188	733	7,408
Utilities	689	7,439	7,053	3,409	8,304	1,478	246	6,251	3,411	567	970	7,035	46,852
Building maintenance	443	4,518	4,550	2,987	6,609	978	196	3,754	2,026	295	685	4,415	31,456
Printing	2,456	980	3,080	1,313	6,004	689	303	598	450	220	2,830	1,993	20,916
Local transportation	454	947	2,612	18,188	44,538	10,144	1,509	732	192	571	664	2,572	83,123
Staff development	151	295	7,366	18,380	21,210	2,790	6	4,074	30	1,569	1,633	9,280	66,784
Subscriptions and memberships	4,814	50	50	0	3,300	985	0	750	0	0	1,716	10,620	22,285
Insurance	1,295	3,943	4,296	5,058	17,092	2,747	1,207	2,345	1,794	878	2,670	6,474	49,799
Meetings	597	34	107	750	1,343	441	0	353	0	270	263	3,146	7,304
Marketing	11,644	0	3,069	693	447	969	0	468	162	0	1,531	1,497	20,480
Contractual transportation	0	12,760	0	0	0	0	0	0	0	0	0	0	12,760
Bank service charges	358	1,159	1,204	1,406	5,029	800	445	705	580	206	3,405	20,890	36,187
Rent	0	0	0	10,369	10,369	0	0	0	0	0	0	0	20,738
Equipment support and repair	1,943	4,069	4,360	9,522	26,820	5,961	1,375	2,922	1,702	872	2,360	11,612	73,518
Contract labor	0	0	0	1,425	37,613	148	0	475	0	0	0	0	39,661
Property tax	0	0	0	0	0	0	0	0	0	0	0	345	345
Capital campaign	0	0	0	0	0	0	0	0	0	0	1,222	0	1,222
Other	3,710	0	0	550	0	1,452	0	0	0	0	0	0	5,712
Subtotal	92,373	282,851	263,405	403,612	1,179,714	192,876	80,239	163,834	106,005	72,992	164,228	479,481	3,481,610
Depreciation	1,185	32,469	21,457	6,739	34,312	9,031	1,587	12,766	5,912	2,102	4,648	22,368	154,576
TOTAL	93,558	315,320	284,862	410,351	1,214,026	201,907	81,826	176,600	111,917	75,094	168,876	501,849	3,636,186

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	<u>Outreach</u>	<u>Building Blocks Preschool</u>	<u>Parent Education</u>	<u>Parent Aide</u>	<u>Healthy Families</u>	<u>Court Appointed Special Advocate</u>	<u>Guardian ad Litem</u>	<u>Child and Family Advocacy Center</u>	<u>Supervised Visits</u>	<u>Positive Parenting Program</u>	<u>Fundraising</u>	<u>General and Admin</u>	<u>Total</u>
Salaries	63,001	197,837	213,482	250,953	845,883	134,946	60,331	117,574	88,595	44,090	131,623	319,609	2,467,924
Employee benefits	6,675	18,630	26,352	27,989	53,523	12,678	2,179	2,289	1,921	8,450	5,013	26,203	191,902
Payroll taxes	4,548	13,750	15,110	17,783	61,856	9,412	4,376	8,914	6,690	3,008	9,924	23,289	178,660
Professional fees	0	0	0	0	17,138	770	0	0	0	0	0	458	18,366
Food supplies	366	3,978	5,751	26	128	69	0	356	0	463	270	984	12,391
Supplies	4,152	1,282	4,367	4,407	12,759	3,421	498	5,507	714	576	3,051	7,544	48,278
Telephone	192	1,557	913	4,417	12,602	2,146	189	728	642	991	347	4,614	29,338
Postage	794	262	400	495	1,406	306	1,174	176	207	71	1,372	764	7,427
Utilities	467	4,753	4,613	1,057	8,576	943	192	4,117	2,313	0	655	4,783	32,469
Building maintenance	563	7,237	6,502	1,480	9,391	1,599	249	4,948	2,906	0	866	6,779	42,520
Printing	3,144	1,374	3,756	1,362	5,084	1,019	98	409	494	606	1,561	3,938	22,845
Local transportation	113	2,052	1,458	17,461	48,402	10,223	2,111	1,287	215	55	931	3,699	88,007
Staff development	207	896	4,119	9,808	31,769	2,799	1,076	10,955	1,641	25	384	3,787	67,466
Subscriptions and memberships	4,608	80	20	0	2,900	1,010	0	700	350	0	890	5,986	16,544
Insurance	1,056	4,708	4,569	5,349	19,756	3,032	1,021	2,031	1,638	0	1,786	625	45,571
Meetings	587	0	63	575	1,487	948	15	513	0	721	1,876	3,408	10,193
Marketing	7,653	0	1,890	554	676	4,244	0	89	464	0	7,621	492	23,683
Contractual transportation	0	15,268	0	0	0	0	0	0	0	0	0	0	15,268
Bank service charges	1,615	958	681	725	4,001	624	376	769	622	0	4,047	9,838	24,256
Rent	0	0	0	0	12,855	0	0	0	0	0	0	0	12,855
Equipment support and repair	1,391	5,326	4,943	8,341	32,823	3,789	1,150	4,812	1,951	242	5,410	14,501	84,679
Contract labor	30	0	515	1,530	18,651	468	0	825	842	60	0	0	22,921
Bad debts	0	0	0	0	0	0	2,806	0	0	0	0	0	2,806
Property tax	0	0	0	0	0	0	0	0	0	0	0	345	345
Capital campaign	0	0	0	0	0	0	0	0	0	0	90,112	0	90,112
Other	13,673	0	0	4,827	356	25	0	0	75	0	0	830	19,786
Subtotal	114,835	279,948	299,504	359,139	1,202,022	194,471	77,841	166,999	112,280	59,358	267,739	442,476	3,576,612
Depreciation	1,732	8,302	8,370	2,742	20,802	2,104	443	8,985	3,936	0	1,557	8,969	67,942
TOTAL	116,567	288,250	307,874	361,881	1,222,824	196,575	78,284	175,984	116,216	59,358	269,296	451,445	3,644,554

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	425,593	3,106,245
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	154,576	67,942
Contributions restricted for long-term investment	0	(3,031,545)
Donated investments	(12,875)	(118,610)
Realized investment gains	(39,931)	(144,828)
Unrealized investment gains	(149,833)	(142,336)
Change in beneficial interest	(13,244)	(7,681)
Loss on disposal of property and equipment	101,460	0
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	(20,025)	28,174
Pledges receivable	1,060,696	(18,897)
Grants receivable	38,592	(113,025)
Prepaid expenses	26,955	(11,432)
Accounts payable	(248,262)	47,213
Accrued liabilities	16,095	(2,895)
Deferred revenue	(5,000)	(3,284)
Net Cash Flows from Operating Activities	1,334,797	(344,959)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets restricted for property and equipment	0	(2,810,978)
Proceeds from disposal of property and equipment	425	0
Purchase of property and equipment	(4,309,138)	(903,171)
Purchase of investments	(1,106,385)	(38,497)
Proceeds from sale of investments	3,766,439	1,558,851
Net Cash Flows used in Investing Activities	(1,648,659)	(2,193,795)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	450,000	0
Contributions received restricted for property and equipment	0	2,810,978
Net Cash Flows from Financing Activities	450,000	2,810,978
CHANGE IN CASH AND CASH EQUIVALENTS	136,138	272,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	510,876	238,652
CASH AND CASH EQUIVALENTS AT END OF YEAR	647,014	510,876
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	4,725	0
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment financed by accounts payable	0	313,249

The Notes to Financial Statements are an integral part of this statement.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NATURE OF BUSINESS

Child And Parent Services, Inc. (the Organization) is an Indiana nonprofit corporation that offers programs to prevent child abuse and provide early intervention with at-risk children and families. Its operations are supported primarily by government grants and contracts, fees for service, community support, and special events. Information about certain programs of the Organization follows:

- *Building Blocks Preschool* program is for children ages three to five that have been abused or have emotional, social, or behavioral problems. The safe, consistent, and structured environment fosters growth in those areas as well as prepares the child for success in school. The program requires intense parental involvement including home visitation and parenting classes.
- *Parent Education* includes programs in a variety of settings and formats. It includes a series of classes at the Joy Rose Center and in the community. The Baby Think It Over program offers eighth graders computerized babies to learn about the responsibility of caring for an infant.
- *Parent Aide* program is a home visitation program which serves families with children of all ages who are experiencing crisis.
- *Healthy Families* exists to help parents of newborn infants by offering support and information about child development and what to expect as a new parent. Healthy Families Support Specialists visit homes on a regular basis to provide new parents with information, encouragement, and support.
- *Court Appointed Special Advocate (CASA)* volunteers spend time weekly to advocate for children in the court system. A judge appoints CASA volunteers to abuse or neglect cases to represent the child's best interest. They provide the judge with objective information and recommendations.
- *Guardian ad Litem (GAL)* was established in 2004 at the request of the Superior Court. The judges wanted similar quality services to the CASA program in the juvenile courts. GAL works on custody and paternity cases exclusively in the superior court. GAL staff are a legal party representing the children through relationship building, information gathering, attendance at meetings, and court proceedings. GAL monitors parent and guardian compliance with court orders.
- *Child and Family Advocacy Center (CFAC)* is a resource to families and the agencies which investigate and intervene in child abuse cases in Elkhart County. CFAC provides a kid-friendly environment, forensic interviews for children, advocacy and support for family members, and other programs focused on assisting child victims and their families.
- *Supervised Visits* provides an opportunity for children to enjoy a safe, neutral visit with a non-custodial parent. A judge may order that visits be supervised if more information is needed about the relationship between the parent and child or if there are safety concerns. The program offers each family a private, home-like space for visiting. The environment is safe and secure.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have been restricted by donors, but have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a 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).

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit. There was no restricted cash on hand at December 31, 2017 or 2016.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and is presented net of allowance for doubtful accounts, which is estimated to be \$10,560 and \$6,740 at December 31, 2017 and 2016, respectively. The Organization's accounts receivable consist primarily of amounts due from service fees. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible. Interest may be charged on past due accounts.

PLEDGES RECEIVABLE

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met.

GRANTS RECEIVABLE

Support received under governmental grants is recorded based on expenses incurred or based on a fix rate. Grants receivable represent amounts due for expenses incurred or units serviced prior to year end, and are considered fully collectible by management.

The Organization uses the allowance method to determine uncollectible grants receivable. Management has determined no allowance for doubtful accounts is necessary for grants receivable at December 31, 2017 or 2016.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment 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 that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$154,576 and \$67,941 for the years ended December 31, 2017 and 2016, respectively.

The Organization had \$6,242 and \$1,261,990 of construction in progress which was not depreciated as of December 31, 2017 and 2016, respectively.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

A summary of the range of lives by asset category follows:

Building and building improvements	5 - 30 years
Furniture and equipment	3 - 15 years
Software and technology	3 - 10 years

BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Organization records periodic distributions and realizes changes in the market value of its beneficial interest as gains and losses in the Statement of Activities.

CONTRIBUTIONS

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the year in which the contributions are received.

CONTRIBUTED MATERIALS AND SERVICES

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605 states that in order to recognize donated services as contributions in the Organization's financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization has a number of unpaid volunteers that have made significant contributions of their time to the Organization's various programs. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under ASC 958.

Contributions of in-kind items used in the Organization's programs are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses.

GRANTS

Revenue from fee-for-service awards are recognized when eligible services are rendered under the terms of the awards. Revenue from cost-reimbursement awards are recognized when costs allowable under the terms of the awards are incurred. Advances received in excess of eligible services or allowable costs are reported as liabilities.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based upon personnel time and space utilized for the related activities.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires an organization to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The organization recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2014 through 2016 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 2 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Organization utilized the market approach to approximate its value of Level 3 investments held by the Community Foundation. Given a pool of assets whose total is known, the Organization can approximate its share of the total pooled investment using rates of return applied to known contribution amounts. The Organization used fund statements provided by the Community Foundation that include detail of contributions and withdrawals to adjust the fair value of its assets. The Organization is familiar with the Community Foundation and its investment base which includes a variety of investments including domestic (small and large cap) and global equities, fixed income securities, hedge funds, and other investments. The investments are classified as Level 3 since the fund agreement provides for the irrevocable transfer of assets to the Community Foundation.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
Cash and cash equivalents	113,605	0	0
U.S. Treasury Bills	398,876	0	0
Common stocks	1,386,434	0	0
Beneficial interest in assets	0	0	141,706
Total	1,898,915	0	141,706

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
Cash and cash equivalents	2,639,449	0	0
U.S. Treasury Bills	349,766	0	0
Common stocks	1,367,115	0	0
Beneficial interest in assets	0	0	128,462
Total	4,356,330	0	128,462

Investment income for the the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	9,712	12,429
Realized gains	39,931	144,828
Unrealized gains	149,833	142,336
Investment management fees	(21,028)	(17,357)
Total	178,448	282,236

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3 - PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN

The Organization engaged in a capital campaign drive, "Building for Kids' Sake", beginning in 2015 to raise funds for the construction of a new operating facility to replace their previously existing facility. The drive solicited pledges to be collected over a multi-year periods. The construction of the new facility was completed in 2017. In addition to the capital campaign, the Organization has unconditional promises to give for its "Vision 2020" campaign for future financial strength.

The Organization has unpaid pledge commitments extending through 2021 related to the campaigns. The pledges are unconditional promises to give and have been discounted to the present value. Pledges receivable are unsecured and due from various donors.

Pledges receivable are due to be collected as follows for the years ending December 31:

2018	594,992
2019	245,400
2020	97,067
2021	5,000
<hr/> Total pledges due	<hr/> 942,459
Less allowance for doubtful pledges	21,371
<hr/> Pledges receivable before discount	<hr/> 921,088
Less present value discounted based on treasury rates plus a risk rate of 3%	58,298
<hr/> Pledges receivable, net	<hr/> 862,790

The pledges receivable are shown on the Statements of Financial Position net of allowance and present value discount, and are due as follows:

	<u>2017</u>	<u>2016</u>
Current	573,621	135,250
Non-current	289,169	1,788,236
<hr/> Total	<hr/> 862,790	<hr/> 1,923,486

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has entered into an agreement with the Community Foundation of Elkhart County, Inc. (the Community Foundation) in which the Organization has established a fund for the purpose of providing support to the Organization. The Organization expects to receive the income earned on the assets held in perpetuity, but will never receive the assets held in the fund. Distributions from the fund are currently based upon the Community Foundation's spending policy. Annual distributions from the fund are reported in Service fees and other income on the Statements of Activities. Net realized and unrealized gains (losses) are reported as Change in beneficial interest.

The agreement provides the Community Foundation the power to modify any restrictions or conditions on the distribution of funds to any specified charitable organizations if such restrictions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable need of the area served by the Community Foundation.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Organization has made total accumulated contributions of \$120,000 to the Community Foundation and designated itself as the beneficiary. The fair value of these assets including appreciation (depreciation) as of December 31, 2017 and 2016 was \$141,706 and \$128,462, respectively. The change in beneficial interest was \$13,244 and \$7,681 for the years ended December 31, 2017 and 2016, respectively.

Additionally, donors will contribute directly to the fund. These contributions are not considered to be assets of the Organization, but the Organization receives its annual distribution, as described above, based on the total value of the fund. The fair values of contributions made directly to the fund including appreciation (depreciation) were \$232,428 and \$204,934 as of December 31, 2017 and 2016, respectively.

The Organization received distributions totaling \$15,460 and \$0, respectively during the years ended December 31, 2017 and 2016.

NOTE 5 - LINE OF CREDIT

During 2017, the Organization established a \$2,000,000 revolving line of credit with a local bank that matures in April 2020. Interest is charged at 4.39%. The line of credit is secured by capital campaign pledges. Outstanding borrowings were \$450,000 at December 31, 2017. Interest expense on the line of credit was \$4,725 for the year ended December 31, 2017.

NOTE 6 - BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors has designated net assets for the endowment purposes described in Note 8. These amounts are reflected on the Statement of Financial Position.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Endowment earnings	451,889	434,819
Capital campaign and related pledges	635,520	3,723,574
Vision 2020 pledges	227,270	243,250
Triple P Program	31,350	0
Total	1,346,029	4,401,643

NOTE 8 - ENDOWMENT

The Organization's endowment fund was established to provide financial support for the Vision Building Healthy Families for Generations project in perpetuity. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policy of the Organization

RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES FOR ACHIEVING OBJECTIVES

The Organization has adopted investment and spending policies, approved by the Board, for assets that attempt to provide a predictable stream of funding to the Organization while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Assets are invested in target allocation of approximately 75% domestic equities, 15% debt securities, 5% diversified strategies, and 5% cash and cash equivalents. Investment risk is measured in terms of total invested assets; investment assets and allocation between asset classes and strategies are managed to not expose the invested assets to unacceptable levels of risk.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization's spending policy limits distributions to 3% of the previous 16-quarter, rolling average of the portfolio's market value. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment fund to grow at an average 7-8% annually.

In establishing this policy, the Organization considered the long-term expected return on its investment assets and the possible effects of inflation. The Organization's objective and goal, over time, is to not have distributions, plus inflation, exceed the rate of return in its endowment fund.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The endowment net assets composition by type of fund is comprised of the following as of December 31, 2017:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	0	451,889	623,327	1,075,216
Board-designated endowment funds	803,979	0	0	803,979
Endowment net assets, end of year	803,979	451,889	623,327	1,879,195

The following is a summary of the changes in endowment net assets for the year ended December 31, 2017:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	689,360	434,819	623,327	1,747,506
Net investment income	114,619	63,637	0	178,256
Distributions	0	(46,567)	0	(46,567)
Endowment net assets, end of year	803,979	451,889	623,327	1,879,195

The endowment net assets composition by type of fund is comprised of the following as of December 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	0	434,819	623,327	1,058,146
Board-designated endowment funds	689,360	0	0	689,360
Endowment net assets, end of year	689,360	434,819	623,327	1,747,506

The following is a summary of the changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	591,591	384,362	623,327	1,599,280
Net investment income	85,217	145,155	0	230,372
Distributions	(30,394)	(51,752)	0	(82,146)
Appropriations for expenditure	42,946	(42,946)	0	0
Endowment net assets, end of year	689,360	434,819	623,327	1,747,506

NOTE 9 - CONCENTRATIONS

The Organization receives a substantial amount of its support from federal, state and local governments. Any significant reduction in the level of this support could have a significant effect on the Organization's programs. All of the programs and activities of the Organization occur in Elkhart County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10 - LEASE COMMITMENTS

The Organization leases its Goshen office under an operating lease that expires in January 2022. The current agreement calls for monthly rental payments of \$1,154 plus monthly common area maintenance payments presently set at \$574.

Future minimum rental payments under the lease are as follows at December 31:

2018	13,848
2019	13,848
2020	13,848
2021	13,848
2022	1,154
<u>Total future minimum rental payments</u>	<u>56,546</u>

Total rental expense was \$13,848 and \$13,200 for the years ended December 31, 2017 and 2016, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 15, 2018, the date the financial statements were available to be issued. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Grant Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed-through Indiana Department of Education				
Child and Adult Care Food Program (CACFP)	10.558	1200220	4,439	0
Total Child and Adult Care Food Program (CACFP)			<u>4,439</u>	<u>0</u>
Total U.S. Department of Agriculture			4,439	0
U.S. Department of Justice				
Passed-through Indiana Department of Education				
Crime Victim Assistance	16.575	13VA2173	29,482	0
Crime Victim Assistance	16.575	13VA2174	79,907	0
Total Crime Victim Assistance			<u>109,389</u>	<u>0</u>
Total U.S. Department of Justice			109,389	0
U.S. Department of Health and Human Services				
Passed-through Indiana Department of Child Services				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	A93-7-17-HF-MO-3679	533,324	0
Total ACA Maternal, Infant and Early Childhood Home Visiting Cluster			<u>533,324</u>	<u>0</u>
Temporary Assistance for Needy Families (TANF)	93.558	A93-7-17-HF-MO-3791	663,695	0
Passed-through Indiana Family and Social Services Administration				
Temporary Assistance for Needy Families (TANF)	93.558	20136	3,843	0
Total TANF Cluster: Temporary Assistance for Needy Families			<u>667,538</u>	<u>0</u>
Total U.S. Department of Health and Human Services			1,200,862	0
Total Expenditures of Federal Awards			1,314,690	0

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Child and Parent Services, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.

2) The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ADDITIONAL REQUIRED REPORTS AND
INFORMATION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Child and Parent Services, Inc.
Elkhart, Indiana

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, the financial statements of Child and Parent Services, Inc. (a nonprofit 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, and have issued our report thereon dated August 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

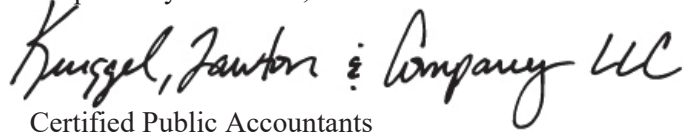
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Kuegel, Jantzen & Company LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Elkhart, Indiana
August 15, 2018



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

To the Board of Directors
Child and Parent Services, Inc.
Elkhart, Indiana

Report on Compliance for Each Major Federal Program

We have audited Child and Parent Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,


Certified Public Accountants

Elkhart, Indiana
August 15, 2018

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF 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:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.505	Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2017

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to federal awards which are required to be reported in accordance with *Government Auditing Standards*.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2017

FINDING 2016-001 - REVIEW OF CANCELED CHECK IMAGES AND INADEQUATE SEGREGATION OF DUTIES: Year ended December 31, 2016

FINANCIAL STATEMENT AUDIT

Condition: This was a significant deficiency relating to the Organization's bank not providing copies of canceled check images with the monthly bank statements and no one reviewing those images online except the Vice President of Finance. Additionally, the Vice President of Finance prepared bank statement reconciliations for part of the year. The auditor determined since the Vice President of Finance maintains the general ledger, has the ability to write checks, and, for part of the year, reconciled bank statements, there was an inadequate segregation of duties.

Recommendation: The auditor recommended that the Organization contact the bank to send copies of canceled check images with the monthly bank statements and that the CEO or another management official outside of the accounting function open the monthly bank statements, review them for propriety, and initial and date them to document review.

Current Status: Copies of checks are sent with bank statements beginning August 2017. The CEO opens all hard copy bank statements and reviews all canceled check images. In addition, the Vice President of Finance was removed as a check signer allowing for an independent review of the bank statements and bank reconciliations.