



**STATE OF INDIANA**  
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B54298

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)


January 16, 2020

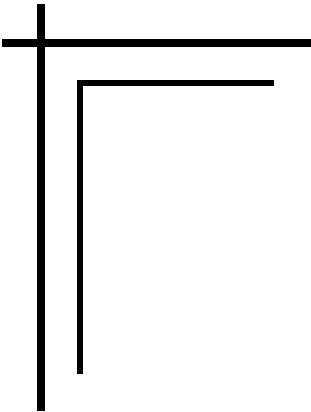
Board of Directors  
ProKids, Inc.  
1776 North Meridian St., Suite 300  
Indianapolis, IN 46202

We have reviewed the audit report of ProKids, Inc., which was opined upon by Pile CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of ProKids, Inc. as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

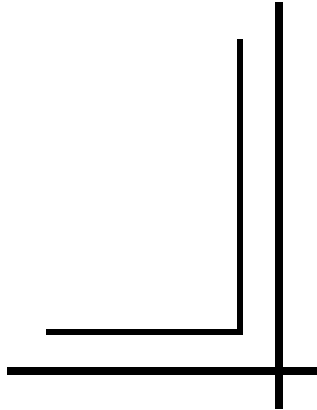
In our opinion, Pile CPAs prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



**PROKIDS, INC.**  
**FINANCIAL REPORT**  
**June 30, 2019**



**ProKids**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
ProKids, Inc.  
Indianapolis, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of ProKids, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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. 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.

## INDEPENDENT AUDITOR'S REPORT - continued

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProKids, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Supplementary and Other Information

Our audits were 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 ("CFR") 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 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 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 September 23, 2019, on our consideration of ProKids, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ProKids, Inc.'s internal control over financial reporting and compliance.

*Pile CPAs*

Indianapolis, Indiana  
September 23, 2019

PROKIDS, INC

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 194,123	\$ 175,333
Grants receivable	421,953	381,507
Other receivables	19,831	32
Other current assets	7,336	33,308
<b>TOTAL CURRENT ASSETS</b>	<u>643,243</u>	<u>590,180</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Office equipment	207,686	206,882
Office furniture	91,629	90,432
Leasehold improvements	51,032	49,899
	<u>350,347</u>	<u>347,213</u>
Less accumulated depreciation	<u>(294,767)</u>	<u>(281,635)</u>
	<u>55,580</u>	<u>65,578</u>
<b><u>OTHER ASSETS</u></b>		
	<u>16,413</u>	<u>16,413</u>
<b>TOTAL ASSETS</b>	<u>\$ 715,236</u>	<u>\$ 672,171</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Salaries & wages payable	\$ 80,108	\$ 78,035
<b>TOTAL CURRENT LIABILITIES</b>	<u>80,108</u>	<u>78,035</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Deferred rent expense, less current portion	<u>69,108</u>	<u>33,319</u>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	<u>566,020</u>	<u>560,817</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 715,236</u>	<u>\$ 672,171</u>

See Notes to Financial Statements.

PROKIDS, INC.

**STATEMENTS OF ACTIVITIES**

Years ended June 30, 2019 and 2018

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>SUPPORT AND REVENUE</u></b>		
Grants - federal	\$ 3,702,419	\$ 3,727,468
Evaluations	1,330,971	1,434,011
Other income	<u>8,128</u>	<u>7,625</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b><u>5,041,518</u></b>	<b><u>5,169,104</u></b>
<b><u>EXPENSES</u></b>		
Program expenses:		
Central Indiana Cluster G	4,833,661	4,949,356
General and administrative expenses	<u>202,654</u>	<u>169,626</u>
<b>TOTAL EXPENSES</b>	<b><u>5,036,315</u></b>	<b><u>5,118,982</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>5,203</b>	<b>50,122</b>
<b><u>NET ASSETS</u></b>		
Beginning of year	<u>560,817</u>	<u>510,695</u>
End of year	<b><u>\$ 566,020</u></b>	<b><u>\$ 560,817</u></b>

See Notes to Financial Statements.

**PROKIDS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended June 30, 2019

	<b>Central Indiana <u>Cluster G</u></b>	<b>General and <u>Admin.</u></b>	<b><u>Total</u></b>
Contracted services	\$ -	\$ -	\$ -
Depreciation	11,734	1,398	13,132
Dues and subscriptions	527	1,410	1,937
Equipment expense	29,782	332	30,114
Facilities expense	3,798	12	3,810
General insurance	2,289	13,182	15,471
Health insurance	333,412	9,378	342,790
Life, dental, and disability	83,471	2,007	85,478
Maintenance agreements	4,610	618	5,228
Materials and supplies	21,115	523	21,638
Miscellaneous expense	517	616	1,133
Other outside services	48,382	245	48,627
Payroll service	-	5,845	5,845
Payroll taxes	260,374	6,054	266,428
Postage	5,673	128	5,801
Professional fees	-	30,900	30,900
Rent	163,333	40,830	204,163
Retirement plan contributions	62,606	1,661	64,267
Salaries	3,574,943	83,758	3,658,701
Telephone	22,764	368	23,132
Training Event Expense	4,191	1,647	5,838
Travel	179,794	1,397	181,191
Utilities	-	-	-
Workers compensation	<u>20,346</u>	<u>345</u>	<u>20,691</u>
	<u>\$ 4,833,661</u>	<u>\$ 202,654</u>	<u>\$ 5,036,315</u>

See Notes to Financial Statements.

**PROKIDS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES** - continued

Year ended June 30, 2018

	<b>Central Indiana <u>Cluster G</u></b>	<b>General and <u>Admin.</u></b>	<b><u>Total</u></b>
Contracted services	\$ 28,000	\$ -	\$ 28,000
Depreciation	12,200	3,824	16,024
Dues and subscriptions	770	1,490	2,260
Equipment expense	65,697	711	66,408
Facilities expense	21,834	733	22,567
General insurance	-	18,137	18,137
Health insurance	313,814	10,088	323,902
Life, dental, and disability	84,209	2,772	86,981
Maintenance agreements	4,351	1,223	5,574
Materials and supplies	39,578	1,343	40,921
Miscellaneous expense	912	587	1,499
Other outside services	41,319	298	41,617
Payroll service	(98)	6,692	6,594
Payroll taxes	257,034	4,997	262,031
Postage	5,950	175	6,125
Professional fees	-	28,900	28,900
Rent	197,030	5,249	202,279
Retirement plan contributions	63,352	1,743	65,095
Salaries	3,541,902	79,144	3,621,046
Telephone	29,375	458	29,833
Training Event Expense	6,870	-	6,870
Travel	192,209	41	192,250
Utilities	20,646	612	21,258
Workers compensation	22,402	409	22,811
	<u>\$ 4,949,356</u>	<u>\$ 169,626</u>	<u>\$ 5,118,982</u>

See Notes to Financial Statements.

**PROKIDS, INC.**

**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2019 and 2018

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from grants, contributions and interest	\$ 4,981,273	\$ 5,248,502
Cash disbursed for programs and general and administrative purposes	<u>(4,959,349)</u>	<u>(5,111,642)</u>
Net cash provided by (used in) operating activities	<u>21,924</u>	<u>136,860</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from the sale of fixed assets	-	5,000
Property and equipment acquisitions	<u>(3,134)</u>	<u>(65,479)</u>
Net cash provided by (used in) investing activities	<u>(3,134)</u>	<u>(60,479)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Borrowings on line of credit	70,000	108,000
Payments on line of credit	<u>(70,000)</u>	<u>(108,000)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash	18,790	76,381
<b><u>CASH</u></b>		
Beginning	<u>175,333</u>	<u>98,952</u>
Ending	<u>\$ 194,123</u>	<u>\$ 175,333</u>
<b><u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 5,203	\$ 50,122
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	13,132	16,024
(Gain) loss on disposal of property and equipment	-	(3,688)
(Increase) decrease in:		
Grants and other receivables	(60,245)	83,086
Other assets	25,972	(23,325)
Increase (decrease) in:		
Accounts payable and accrued liabilities	2,073	(458)
Deferred rent and lease incentive	<u>35,789</u>	<u>15,099</u>
Net cash provided by (used in) operating activities	<u>\$ 21,924</u>	<u>\$ 136,860</u>

See Notes to Financial Statements.

**PROKIDS, INC.**

**STATEMENTS OF CASH FLOWS** - continued  
Years ended June 30, 2019 and 2018

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW</u></b> <b><u>INFORMATION</u></b>		
Cash payments for interest	<u>\$ 102</u>	<u>\$ 78</u>

See Notes to Financial Statements.

**PROKIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

ProKids, Inc. (the "Organization") was formed to develop, implement, and manage intra-agency programs, identified by Part C of the Individuals With Disabilities Education Act ("IDEA") legislation, in order to provide early intervention services to eligible infants and toddlers (birth to three years of age) with disabilities and their families. In the State of Indiana, this Part C program is called First Steps.

The goals of the First Steps Program in Indiana are to find and identify eligible children who are developmentally delayed; to provide assessment/evaluation of development for referred children to determine eligibility; to assist children to transition into other appropriate programs, once the child is three years of age and/or no longer eligible; to teach families to be advocates for their child's needs; and to provide appropriate developmental interventions so as to decrease the need for ongoing Special Education Services.

The Organization is the Fiscal Agent for the Local Planning and Coordinating Council ("LPCC") and the System Point of Entry ("SPOE") for the Indiana First Steps Program in Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties ("Central Indiana Cluster G").

- *Local Planning and Coordinating Councils* - The purpose of these grants is to provide funding for Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties to do public awareness, child find, transition, education, and other activities that enhance the early intervention program in each county. The Organization provides fiscal agent services, through cost reimbursement, to administer these funds for each of the above counties.
- *System Point of Entry* - The purpose of these grants is to provide funding to receive referrals from Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties for children who are suspected of having developmental delays or who are at risk for developmental delays due to their medical condition or other biological risk factors; to initiate the evaluation process; and to determine whether eligibility criteria have been met. The Organization provides fiscal agent services, through cost reimbursement and fee for service, to administer these funds for each of the above counties.

A summary of the Organization's significant accounting policies are as follows:

A. Basis of Accounting

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

B. Basis of Presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America.

PROKIDS, INC.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

B. Basis of Presentation - continued

This has been done by classification of fund transactions and balances into two categories of net assets:

*Net Assets without donor restrictions*: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net Assets with Donor Restrictions*: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

C. Cash

Cash consists of one checking account with a financial institution. The account is partially insured by the Federal Deposit Insurance Corporation. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

D. Concentration of Credit Risk

Federal funding by Indiana Family and Social Services Administration, Division of Disability and Rehabilitative Services ("State of Indiana") accounted for greater than 95% of total revenue received by the Organization for 2019 and 2018. The funding is derived from reimbursable grants and a fee for service contract to carry out the mission and programs of the Organization.

E. Grants Receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at June 30, 2019 and 2018, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

F. Property and Equipment

Property and equipment are stated at cost. The Organization capitalizes assets with a value greater than \$500 and an estimated useful life of three or more years. Property and equipment are considered to be owned by the Organization; however, state funding sources may maintain equitable interest in the property purchased by grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for software, furniture, and equipment range from 3 to 10 years and leasehold improvements for 10 years or the life of the lease.

Depreciation in the amount of \$13,132 and \$16,024 has been allocated to program services and supporting activities in the statements of activities for the years ended June 30, 2019 and 2018, respectively.

PROKIDS, INC.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

G. Support and Revenues

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as the Organization performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

H. Income Taxes

The Organization is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

I. Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Reclassification

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

L. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 23, 2019, which is the date the financial statements were available to be issued.

## PROKIDS, INC.

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

#### **NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications has been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements are presented regarding risk exposure and availability of cash for short term use. Expenses are reported by both their natural and functional classification to aid in the usefulness of financial statements. The Organization adopted this standard for the year ending June 30, 2019 and applied it retrospectively.

#### **NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the entity for the year ending June 30, 2020. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending June 30, 2021. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

#### **NOTE 4 LIQUIDITY AND AVAILABILITY**

The following table reflects financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date, due to donor or contractual restrictions. Currently, the Organization does not have donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

**PROKIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 4 LIQUIDITY AND AVAILABILITY** - continued

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing program and support activities to be general expenditures.

The Organization has a \$4.8 million reimbursement grant available within one year of the statement of financial position to meet cash needs for general expenditures. The grant is subject to time restrictions but is expected to be collected with the next 12 months. The Organization also has a \$350,000 line of credit, which it could draw upon in the event of an unanticipated liquidity need. The Organization's financial health and liquidity is monitored through regular reporting to the Board of Directors.

The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year-end:		<b><u>2019</u></b>
Cash	\$	194,123
Grants and other receivables		<u>441,784</u>
Total financial assets		<u>635,907</u>
Less amounts not available to be used within one year:		-
Financial assets not available to be used within one year		<u>-</u>
Financial assets available to meet general expenditures within one year	\$	<u>635,907</u>

**NOTE 5 LINE OF CREDIT**

The Organization has a line of credit with National Bank of Indianapolis with a maximum debt facility of \$350,000 available through January 14, 2020. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. The amount borrowed under the line of credit was \$0 as of June 30, 2019 and 2018. Interest is assessed at the lender's prime rate plus 0.25%, but not less than 4.50%. The effective rate at June 30, 2019 and 2018 was 5.75% and 4.75%, respectively.

**NOTE 6 LEASE COMMITMENTS**

On February 7, 2008, the Organization signed an office lease with a lease term of ten years commencing on May 1, 2008. Under the lease agreement, the Organization received a lease incentive of \$139,760. The Organization used the incentive proceeds to pay-off the remaining lease payments and termination fee on the old leases.

**PROKIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 6 LEASE COMMITMENTS** - continued

The incentive is recorded as a liability and is being amortized using the straight-line method over the term of the lease. In addition, the Organization accrued rent expense on the lease in an amount such that total rent expense under the lease will be recognized ratably over the ten-year term.

In March 2018, the Organization signed an office lease at a new location with a lease term of ninety-four months that expires February 2026. The Organization received the first four months free with monthly payments escalating over the life of the lease.

The Organization is obligated under three operating leases for a postage machine and two copiers with monthly payments ranging from \$160 to \$375 and various expiration dates through March 2023.

The total rent expense charged to income for the year ended June 30, 2019 and 2018, consists of the following:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Rental paid on office lease	\$ 168,375	\$ 187,180
Adjustment to recognize lease payments ratably over the term of the lease	35,788	26,745
Amortization of deferred lease incentive over the term of the lease	-	(11,646)
Total rent expense	<b><u>\$ 204,163</u></b>	<b><u>\$ 202,279</u></b>

The future minimum lease payments as of June 30, 2019, are as follows:

	<b><u>Facilities</u></b>	<b><u>Postage Machine</u></b>	<b><u>Copiers</u></b>	<b><u>Total</u></b>
2020	\$ 201,808	\$ 1,919	\$ 5,146	\$ 208,873
2021	205,207	1,919	5,032	212,158
2022	208,121	1,919	5,032	215,072
2023	211,034	1,440	5,032	217,506
2024	213,948	-	5,032	218,980
Thereafter	361,760	-	419	362,179
	<b><u>\$ 1,401,878</u></b>	<b><u>\$ 7,197</u></b>	<b><u>\$ 25,693</u></b>	<b><u>\$ 1,434,768</u></b>

**NOTE 7 EMPLOYEE BENEFIT PLAN**

The Organization has established a 403(b) Defined Contribution Retirement Plan (the "Plan"). An employee is eligible to make elective deferrals without a service requirement, unless they are part of an excluded class described in the Plan Adoption Agreement.

**PROKIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 7 EMPLOYEE BENEFIT PLAN** - continued

Eligible classes of employees are all employees except Casual Employees who are hired to work on an as needed basis from time to time and normally work 0-19 hours per week; provided, however, that a Casual Employee who attains age 21 and completes one year of eligibility service will be eligible to become a participant for purposes of becoming a contributing participant (and thus eligible to make elective deferrals) on the first day of the next Plan Year, but not more than six months after satisfaction of this criteria. To be eligible for employer contributions, an employee must be at least 21 years of age and complete 12 consecutive months of eligibility service. Plan contributions are invested at the discretion of each participant and are fully vested and non-forfeitable when such contributions are made.

Plan contributions are made at a discretionary rate set by the Board of Directors each year. The discretionary rate for fiscal years June 30, 2019 and 2018 was 2%. Retirement plan contributions were \$64,267 and \$65,095 for the years ended June 30, 2019 and 2018, respectively.

PROKIDS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2019

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Sub- Recipients</b>	<b>Federal Expenditures</b>
US Department of Education Individuals with Disabilities Education Act Grants for Infants and Families with Disabilities Pass-Through Grantor: Indiana Family & Social Svcs Admin Pass-through programs: First Steps Cluster Contracts (FS)	84.181	21511	\$ -	\$ <u>3,702,419</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 3,702,419</u>

See Notes to the Schedule of  
Expenditures of Federal Awards.

**PROKIDS, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2019

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of ProKids, Inc. under programs of the federal government for the year ended June 30, 2019. 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 ProKids, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of ProKids, Inc.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 INDIRECT COST RATE**

ProKids, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
ProKids, Inc.  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of ProKids, Inc. ("ProKids"), which comprise the statement of financial position as of June 30, 2019, 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 September 23, 2019.

**Internal Control Over Financial Reporting**

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

**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**

**INDEPENDENT AUDITOR'S REPORT - continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ProKids 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pile CPAs*

Indianapolis, Indiana  
September 23, 2019

**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  
ProKids, Inc.  
Indianapolis, Indiana

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

We have audited ProKids, 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 ProKids, Inc.'s ("ProKids") major federal programs for the year ended June 30, 2019. ProKids 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 ProKids 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 ProKids' 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 ProKids compliance.

**Opinion on Each Major Federal Program**

In our opinion, ProKids 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 June 30, 2019.

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

**INDEPENDENT AUDITOR'S REPORT - continued**

**Report on Internal Control Over Compliance**

Management of ProKids 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 ProKids internal control over compliance with the types of requirements that could have a direct and material effect on a 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 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 ProKids 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 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.

*Pile CPAs*

Indianapolis, Indiana  
September 23, 2019

PROKIDS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to the financial statements noted?	No

*Federal Awards*

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiency 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 section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.181	US Department of Education Individuals with Disabilities Education Act Grants for Infants and Families with Disabilities

Dollar Threshold used to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	No
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II. FINANCIAL STATEMENT FINDINGS	None
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III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None
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**PROKIDS, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year ended June 30, 2019

**Finding 2018-01 Procurement**

U.S. Department of Education  
Individuals with Disabilities Education Act  
Grants for Infants and Families with Disabilities  
CFDA Number: 84.181  
Material Weakness in Internal Control over Compliance

**Criteria:**

Non-Federal entities must use their own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. Part of those procedures involves conducting all procurement transactions in a manner providing full and open competition.

**Condition:**

Agreements were signed with a relocation and project management company that were over the micro-purchase threshold and no price or rate quotations were obtained from an adequate number of qualified sources.

**Context:**

ProKids, Inc. moved office locations in the current fiscal year. We tested the expenses associated with the move and reviewed executed agreements with a relocation and project management company that exceeded the micro-purchase threshold. In the process of finding a new office location, the organization did not obtain an adequate number of proposals for the services obtained.

**Cause:**

The organization did not have adequate policies and controls in place to ensure they obtained the appropriate number of bids to provide a full and open competition for procurements made over the micro-purchase threshold.

**Effect:**

Failure to follow the organization's operating/procurement policy.

**Questioned Costs:**

None

**Recommendation:**

We recommend that ProKids, Inc. implement stronger controls and procedures around the procurement process to help avoid this issue moving forward.

**Views of Responsible Officials:**

Management agrees with the findings. The move being an unusual event outside of the normal day to day business, coupled with the short move timeline and potential 200% penalty for lease holdover contributed to the oversight in following the procurement guidelines.

**PROKIDS, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS** - continued

Year ended June 30, 2019

**Status:**

The Organization's Standard Operating Procedures, including policies/procedures ensuring compliance with procurement requirements effective in July 2018, were updated. In addition, an "Expense Request" form requiring management approval and noting the requirement for competitive bids for purchases exceeding \$10,000 was developed and implemented. There were no purchases exceeding the micro-purchase threshold made during the 2019 fiscal year. There have been no other issues or concerns.