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February 19, 2020

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, 2018 to December 31, 2018. 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, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to findings on pages 30-31. Please see the Schedule of Findings and Questioned Costs for additional detail. Management's Corrective Action Plan appears at the end of 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



ANNUAL REPORT
December 31, 2018

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

ANNUAL REPORT

December 31, 2018

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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. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, Child and Parent Services, Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Matters

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* 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 August 21, 2019, 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.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
August 21, 2019

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	604,588	547,014
Investments	19,976	19,700
Investments - other	0	100,000
Accounts receivable, net	43,032	59,074
Pledges receivable	361,385	573,621
Grants receivable	352,162	278,911
Prepaid expenses	25,409	34,163
Total Current Assets	1,406,552	1,612,483
PROPERTY AND EQUIPMENT		
Land and land improvements	762,747	720,851
Building and building improvements	4,538,210	4,527,244
Furniture and equipment	332,085	327,140
Software and technology	217,538	216,376
Total	5,850,580	5,791,611
Accumulated depreciation	(457,737)	(179,589)
Net Property and Equipment	5,392,843	5,612,022
LONG-TERM ASSETS		
Pledges receivable	135,730	289,169
Investments	2,747,552	1,879,215
Investments - other	101,183	0
Beneficial interest in assets held by Community Foundation (CF)	126,337	141,706
Total Long-term Assets	3,110,802	2,310,090
TOTAL ASSETS	9,910,197	9,534,595

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of credit	0	450,000
Accounts payable	41,435	138,514
Accrued liabilities	183,309	197,663
Deferred revenue	90,000	0
Total Current Liabilities	314,744	786,177
TOTAL LIABILITIES	314,744	786,177
NET ASSETS		
Without donor restrictions	8,380,315	7,428,647
With donor restrictions	1,215,138	1,319,771
TOTAL NET ASSETS	9,595,453	8,748,418
TOTAL LIABILITIES AND NET ASSETS	9,910,197	9,534,595

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, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions and memorials	1,657,151	0	1,657,151
Federal grants	1,372,177	0	1,372,177
Other grants	1,077,663	43,466	1,121,129
Service fees and other income	454,413	0	454,413
Change in beneficial interest in assets held by CF	(15,369)	0	(15,369)
Investment loss, net	(54,591)	(27,260)	(81,851)
Fundraising event revenue	395,028	0	395,028
Less: costs of direct benefits to donors	(21,080)	0	(21,080)
Net revenues from fundraising events	<u>373,948</u>	<u>0</u>	<u>373,948</u>
Total Revenue	4,865,392	16,206	4,881,598
Net assets released from restrictions:			
Satisfaction of restrictions	120,839	(120,839)	0
FUNCTIONAL EXPENSES			
Program			
Outreach	79,945	0	79,945
Building Blocks Preschool	346,428	0	346,428
Parent Education	273,265	0	273,265
Parent Aide	445,451	0	445,451
Healthy Families	1,265,044	0	1,265,044
Court Appointed Special Advocate	258,959	0	258,959
Guardian ad Litem	83,655	0	83,655
Child and Family Advocacy Center	203,808	0	203,808
Supervised Visits	126,128	0	126,128
Positive Parenting Program	84,034	0	84,034
Total program	3,166,717	0	3,166,717
Fundraising	333,152	0	333,152
General and administrative	534,694	0	534,694
Total Functional Expenses	4,034,563	0	4,034,563
CHANGE IN NET ASSETS	951,668	(104,633)	847,035
NET ASSETS, BEGINNING OF YEAR	7,428,647	1,319,771	8,748,418
NET ASSETS, END OF YEAR	8,380,315	1,215,138	9,595,453

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>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions and memorials	1,002,721	0	1,002,721
Federal grants	1,314,690	0	1,314,690
Other grants	1,004,176	31,350	1,035,526
Service fees and other income	386,216	0	386,216
Change in beneficial interest in assets held by CF	13,244	0	13,244
Investment income, net	114,811	63,637	178,448
Loss on sale of assets	(101,460)	0	(101,460)
Fundraising event revenue	338,883	0	338,883
Less: costs of direct benefit to donors	(22,680)	0	(22,680)
Net revenues from fundraising events	316,203	0	316,203
Total Revenue	4,050,601	94,987	4,145,588
Net assets released from restrictions:			
Satisfaction of restrictions	3,800,186	(3,800,186)	0
FUNCTIONAL EXPENSES			
Program			
Outreach	93,558	0	93,558
Building Blocks Preschool	315,320	0	315,320
Parent Education	284,862	0	284,862
Parent Aide	410,351	0	410,351
Healthy Families	1,214,026	0	1,214,026
Court Appointed Special Advocate	201,907	0	201,907
Guardian ad Litem	81,826	0	81,826
Child and Family Advocacy Center	176,600	0	176,600
Supervised Visits	111,917	0	111,917
Positive Parenting Program	75,094	0	75,094
Total program	2,965,461	0	2,965,461
Fundraising	252,685	0	252,685
General and administrative	501,849	0	501,849
Total Functional Expenses	3,719,995	0	3,719,995
CHANGE IN NET ASSETS	4,130,792	(3,705,199)	425,593
NET ASSETS, BEGINNING OF YEAR	3,297,855	5,024,970	8,322,825
NET ASSETS, END OF YEAR	7,428,647	1,319,771	8,748,418

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, 2018

	<u>Program</u>												<u>Total</u>
	<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>	
Salaries	44,807	202,337	155,769	291,433	862,870	172,927	59,730	135,553	93,989	61,907	155,364	343,356	2,580,042
Employee benefits	600	12,594	15,149	32,119	56,395	17,473	4,300	13,476	5,805	7,195	1,499	26,585	193,190
Payroll taxes	3,401	14,048	11,307	20,855	63,294	12,386	4,265	9,631	6,956	4,346	11,404	25,358	187,251
Professional fees	1,425	250	0	0	12,669	0	0	0	0	0	21,448	30,668	66,460
Food supplies	367	4,154	2,664	51	407	277	2	346	108	1,137	341	739	10,593
Supplies	7,781	4,626	2,650	6,427	17,388	4,149	803	3,269	1,621	1,785	1,581	5,661	57,741
Telephone	89	1,086	715	6,306	15,780	3,007	342	550	489	821	270	2,056	31,511
Postage	853	155	268	399	1,161	321	1,832	164	173	96	3,778	721	9,921
Utilities	147	11,321	5,991	5,516	6,784	2,508	147	3,139	929	147	665	5,718	43,012
Building maintenance	183	5,536	3,473	4,675	4,490	1,354	146	2,151	936	189	585	4,843	28,561
Printing	5,827	1,261	1,376	1,773	7,043	984	386	727	554	278	5,385	1,908	27,502
Local transportation	231	692	690	19,356	39,461	14,235	2,038	1,544	169	1,204	166	2,367	82,153
Staff development	41	1,833	18,087	15,896	15,027	1,886	3,882	4,701	1,849	25	2,680	3,161	69,068
Subscriptions & memberships	911	324	50	211	3,982	602	280	792	257	17	201	3,444	11,071
Insurance	1,227	3,627	3,956	4,640	15,804	2,506	1,122	2,190	1,677	818	2,499	6,172	46,238
Meetings	368	76	286	1,048	2,489	369	440	211	7	4	293	2,886	8,477
Marketing	8,680	195	1,091	910	1,349	2,198	0	162	228	10	1,375	4,549	20,747
Contractual transportation	0	13,096	0	0	0	0	0	0	0	0	0	0	13,096
Bank service charges	179	969	1,059	1,492	4,464	934	289	505	380	204	770	12,399	23,644
Rent	0	0	0	11,030	7,636	0	0	0	0	0	0	0	18,666
Equipment support & repair	1,306	3,232	3,534	10,102	15,302	3,121	986	3,419	1,287	775	4,659	11,323	59,046
Contract labor	0	0	0	910	44,631	0	0	1,231	0	0	0	0	46,772
Bad debts	0	0	6,742	0	3,183	0	0	0	787	0	30,139	0	40,851
Property tax	0	0	0	0	0	0	0	0	0	0	0	495	495
Capital campaign	0	0	0	0	0	0	0	0	0	0	56	0	56
Depreciation	1,522	65,016	38,408	10,302	63,435	17,696	2,665	20,047	7,927	3,076	7,769	40,285	278,148
Other	0	0	0	0	0	26	0	0	0	0	0	0	26
Event expense	0	0	0	0	0	0	0	0	0	0	101,305	0	101,305
Total Expenses	79,945	346,428	273,265	445,451	1,265,044	258,959	83,655	203,808	126,128	84,034	354,232	534,694	4,055,643
Less direct donor benefits netted in revenues	0	0	0	0	0	0	0	0	0	0	(21,080)	0	(21,080)
TOTAL FUNCTIONAL EXPENSES	79,945	346,428	273,265	445,451	1,265,044	258,959	83,655	203,808	126,128	84,034	333,152	534,694	4,034,563

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>Program</u>												<u>Total</u>
	<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>	
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 & 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 & 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
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
Other	3,710	0	0	550	0	1,452	0	0	0	0	0	0	5,712
Event expense	0	0	0	0	0	0	0	0	0	0	106,489	0	106,489
Total Expenses	93,558	315,320	284,862	410,351	1,214,026	201,907	81,826	176,600	111,917	75,094	275,365	501,849	3,742,675
Less direct donor benefits netted in revenues	0	0	0	0	0	0	0	0	0	0	(22,680)	0	(22,680)
TOTAL FUNCTIONAL EXPENSES	93,558	315,320	284,862	410,351	1,214,026	201,907	81,826	176,600	111,917	75,094	252,685	501,849	3,719,995

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	847,035	425,593
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	278,148	154,576
Donated investments	0	(12,875)
Realized investment gains	(11,775)	(39,931)
Unrealized investment (gains) losses	71,906	(149,833)
Change in beneficial interest	15,369	(13,244)
Loss on disposal of property and equipment	0	101,460
Provision for bad debts	40,851	0
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	8,513	(20,025)
Pledges receivable	332,353	1,060,696
Grants receivable	(73,251)	38,592
Prepaid expenses	8,754	26,955
Investments - other	(1,183)	0
Accounts payable	(97,079)	(248,262)
Accrued liabilities	(14,354)	16,095
Deferred revenue	90,000	(5,000)
Net Cash Flows from Operating Activities	1,495,287	1,334,797
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	0	425
Purchase of property and equipment	(58,969)	(4,309,138)
Purchase of investments	(1,301,154)	(1,106,385)
Proceeds from sale of investments	372,410	3,766,439
Purchase of investments - other	0	(100,000)
Net Cash Flows used in Investing Activities	(987,713)	(1,748,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	(450,000)	450,000
Net Cash Flows from Financing Activities	(450,000)	450,000
CHANGE IN CASH	57,574	36,138
CASH AT BEGINNING OF YEAR	547,014	510,876
CASH AT END OF YEAR	604,588	547,014
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	4,172	4,725

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, 2018 and 2017

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 Kindergarten aged children that do not thrive in traditional classrooms. The safe, consistent, and structured environment fosters growth in emotional, social and behavioral learning and prepares the child for success in school. The program requires intense parental involvement including home visitation services.
- *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.
- *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, 2018 and 2017

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 two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 Statements of Cash Flows, the Organization considers all highly liquid investments without donor restrictions 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 \$19,680 and \$0 of restricted cash on hand at December 31, 2018 and 2017, respectively.

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 \$4,860 and \$10,560 at December 31, 2018 and 2017, 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.

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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, 2018 or 2017.

INVESTMENTS - OTHER

Certificates of deposit held for investment that are not debt securities are included in "investments—other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "Investments—other" in Current Assets. Certificates of deposit with remaining maturities greater than one year are classified as "Investments—other" in Long-Term Assets.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Purchased property and equipment over a capitalization threshold of \$5,000 with lives of at least one year 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 \$278,148 and \$154,576 for the years ended December 31, 2018 and 2017, respectively. The Organization had \$1,162 and \$6,242 of construction in progress which was not depreciated as of December 31, 2018 and 2017, respectively, included in Software and technology and Furniture and equipment on the Statements of Financial Position.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Land improvements	15- 20 years
Building and building improvements	20 - 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 Change in beneficial interest in assets held by CF in the Statements of Activities.

DEFERRED REVENUE

Deferred revenue represents prepayments for the Organization's Building Blocks Program.

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 current 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 support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the year in which the contributions are received.

CONTRIBUTED MATERIALS AND SERVICES

FASB ASC 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 958-605.

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.

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NOTES TO FINANCIAL STATEMENTS

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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.

Expenses that are allocated include the following:

Expense	Method of Allocation
Supplies; telephone; printing; insurance; bank service charges; equipment support and repair	Time and effort
Utilities; building maintenance; depreciation; rent; property tax	Square footage

Other expenses are assigned to the respective functional category by method of direct assignment.

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 entity 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 2015 through 2017 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. As a result of the placed-in-service approach required by the update, net assets previously classified as temporarily restricted net assets in the amount of \$649,585 in 2017 have been classified as net assets without donor restrictions in these comparative statements.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

RECLASSIFICATIONS

Certain items in the 2017 financial statements have been reclassified to conform with the 2018 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of December 31, 2018, the Organization has working capital of \$1,091,808 and average days cash on hand of 57.

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets available for general expenditure within one year of the balance sheet date:

Cash	384,908
Accounts receivable, net	43,032
Pledges receivable, net	265,075
Grants receivable	293,157
Investments	19,976
Assets limited to use:	
Donor restricted	139,776
Total financial assets:	1,145,924

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. Not included in the analysis above are Investments - other (certificate of deposit) with a maturity date greater than one year. The Organization has the ability to access this deposit account, if necessary. As discussed in Note 9, the Organization has other board designated assets that are excluded from the quantitative information above. However, board designated assets could be made available, if necessary. Additionally, amounts from donor restricted endowments are appropriated for expenditure each year.

The Organization also maintains a \$2,000,000 line of credit as described in Note 6. As of December 31, 2018, \$2,000,000 remained available on the line of credit.

NOTE 3 - 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;

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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.

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, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	1,275,676	1,275,676	0	0
Common stocks	1,491,852	1,491,852	0	0
Beneficial interest in assets	126,337	0	0	126,337
Total	2,893,865	2,767,528	0	126,337

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>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	113,605	113,605	0	0
U.S. Treasury Bills	398,876	398,876	0	0
Common stocks	1,386,434	1,386,434	0	0
Beneficial interest in assets	141,706	0	0	141,706
Total	2,040,621	1,898,915	0	141,706

CHILD AND PARENT SERVICES, INC.

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NOTES TO FINANCIAL STATEMENTS

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Investment income for the the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	19,735	9,712
Realized gains	11,775	39,931
Unrealized gains (losses)	(71,906)	149,833
Investment management fees	(41,455)	(21,028)
Total	(81,851)	178,448

NOTE 4 - 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 the 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:

2019	372,765
2020	127,618
2021	32,500
Total pledges due	532,883
Less allowance for doubtful pledges	11,380
Pledges receivable before discount	521,503
Less present value discounted based on treasury rates plus a risk rate of 3%	24,388
Pledges receivable, net	497,115

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

	<u>2018</u>	<u>2017</u>
Current	361,385	573,621
Non-current	135,730	289,169
Total	497,115	862,790

NOTE 5 - 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.

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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.

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, 2018 and 2017 was \$126,337 and \$141,706, 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 \$216,878 and \$232,428 as of December 31, 2018 and 2017, respectively.

The Organization received distributions totaling \$33,010 and \$15,460 during the years ended December 31, 2018 and 2017, respectively.

NOTE 6 - 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 \$0 and \$450,000 at December 31, 2018 and 2017, respectively. Interest expense on the line of credit included in Bank service charges on the Statements of Functional Expenses was \$4,172 and \$4,725 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Undesignated	6,269,626	6,482,962
Board designated	1,984,352	803,979
Beneficial interest in assets held by CF	126,337	141,706
Total Net Assets Without Donor Restrictions	8,380,315	7,428,647

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Vision 2020 pledges	173,253	213,205
Triple P Program	43,466	31,350
Endowment earnings	375,092	451,889
Endowments invested in perpetuity	623,327	623,327
Total	1,215,138	1,319,771

CHILD AND PARENT SERVICES, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 9 - 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.

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. The Organization classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met unless the amounts are earned and expended in the same period, in which case amounts are included in net assets without donor restrictions. 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

The following is a summary of endowment net asset composition by type of fund at December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Donor restricted endowment funds	0	998,419	998,419
Board designated endowment funds	1,984,352	0	1,984,352
Beneficial interest in assets held by CF	126,337	0	126,337
<u>Endowment net assets, end of year</u>	<u>2,110,689</u>	<u>998,419</u>	<u>3,109,108</u>

The following is a summary of the changes in endowment net assets for the year ended December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	945,685	1,075,216	2,020,901
Contributions	1,000,000	0	1,000,000
Net investment income	(57,205)	(27,260)	(84,465)
Distributions	(13,010)	(49,537)	(62,547)
<u>Amounts designated for deposit into endowment funds</u>	<u>235,219</u>	<u>0</u>	<u>235,219</u>
<u>Endowment net assets, end of year</u>	<u>2,110,689</u>	<u>998,419</u>	<u>3,109,108</u>

The following is a summary of endowment net asset composition by type of fund at December 31, 2017:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Donor restricted endowment funds	0	1,075,216	1,075,216
Board designated endowment funds	803,979	0	803,979
Beneficial interest in assets held by CF	141,706	0	141,706
<u>Endowment net assets, end of year</u>	<u>945,685</u>	<u>1,075,216</u>	<u>2,020,901</u>

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	817,822	1,058,146	1,875,968
Net investment income	134,233	63,637	197,870
Distributions	(6,370)	(46,567)	(52,937)
<u>Endowment net assets, end of year</u>	<u>945,685</u>	<u>1,075,216</u>	<u>2,020,901</u>

CHILD AND PARENT SERVICES, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 - 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.

NOTE 11 - 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 \$540.

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

2019	13,848
2020	13,848
2021	13,848
2022	1,154
<u>Total future minimum rental payments</u>	<u>42,698</u>

Total rental expense was \$13,848 for both the years ended December 31, 2018 and 2017.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 21, 2019, 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, 2018

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	4,595	0
Total Child and Adult Care Food Program (CACFP)			<u>4,595</u>	<u>0</u>
Total U.S. Department of Agriculture			4,595	0
U.S. Department of Justice				
Passed-through Indiana Department of Education				
Crime Victim Assistance	16.575	15VA5442	38,024	0
Crime Victim Assistance	16.575	15VA5439	75,532	0
Total Crime Victim Assistance			<u>113,556</u>	<u>0</u>
Domestic Trafficking Victim Program	16.834	SOUT-IN-3QIAA18	1,975	0
Total Domestic Trafficking Victim Program			<u>1,975</u>	<u>0</u>
Total U.S. Department of Justice			115,531	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-3791	671,310	0
Total ACA Maternal, Infant and Early Childhood Home Visiting Cluster			671,310	0
Temporary Assistance for Needy Families (TANF)	93.558	A93-7-17-HF-MO-3679	562,405	0
Passed-through Indiana Family and Social Services Administration				
Temporary Assistance for Needy Families (TANF)	93.558	20136	18,336	0
Total TANF Cluster: Temporary Assistance for Needy Families			<u>580,741</u>	<u>0</u>
Total U.S. Department of Health and Human Services			1,252,051	0
Total Expenditures of Federal Awards			<u>1,372,177</u>	<u>0</u>

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, 2018. 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.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended December 31, 2018

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) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, 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 21, 2019.

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,



Certified Public Accountants

Elkhart, Indiana
August 21, 2019



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 (the "Organization") 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, 2018. 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.

Basis for Qualified Opinion on TANF Cluster: Temporary Assistance for Needy Families CFDA 93.558

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding CFDA 93.558 TANF Cluster: Temporary Assistance for Needy Families as described in finding numbers 2018-001 for Eligibility and 2018-002 for Activities Allowed. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Qualified Opinion on TANF Cluster: Temporary Assistance for Needy Families CFDA 93.558

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 TANF Cluster: Temporary Assistance for Needy Families CFDA 93.558 for the year ended December 31, 2018.

Other Matters

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

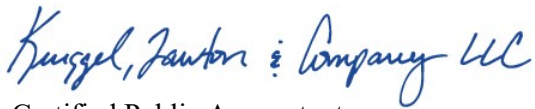
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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,

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

Certified Public Accountants

Elkhart, Indiana
August 21, 2019

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2018

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?	Yes
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	TANF Cluster: Temporary Assistance for Needy Families

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, 2018

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

Questioned Costs

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2018-001 - Material Weakness and Noncompliance - Eligibility

Program Information: TANF Cluster: Temporary Assistance for Needy Families - CFDA No. 93.558; September 1, 2016 - September 30, 2020 - Year ended December 31, 2018

Condition: The Organization billed the federal grant for one family that was over income eligibility requirements rather than assigning the family to an available nonfederal funding source. Adequate documentation was not retained to support the income eligibility determination of two additional families billed to the federal grant.

15,498

Criteria: The Organization must maintain adequate documentation, verification, and internal control procedures to ensure that only income eligible families are served under the grant.

Cause: Internal controls for the review of income eligibility determinations and inputs to the program database were not properly designed. The error in assignment that resulted in a family over income limits receiving service billed to the federal grant was detected through internal monitoring but the staff person with access rights to correct the error in the system failed to do so.

Effect: The Organization collected money under the federal grant for one family that was over the income eligibility threshold and should not have been qualified. There was inadequate documentation to determine whether two other families met income eligibility limits. This resulted in questioned costs for the three families.

Context: The three families in question were discovered in a sample of 40 unique families. The Organization is in the process of updating the design of its internal controls for this federal program.

Recommendation: We recommend that management implement a review process that requires a second person with adequate skills, knowledge, and experience to examine the eligibility determinations, related support and database inputs to ensure that documentation is properly retained and only income eligible families are billed to the grant.

Identification of Repeat Findings: This is not a repeat finding.

Views of Responsible Officials and Planned Corrective Actions: Internal controls have been adjusted to increase the effectiveness of the review completed on all client files to ensure compliance.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2018

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)

Questioned Costs

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2018-002 - Material Weakness and Noncompliance - Activities Allowed

Program Information: TANF Cluster: Temporary Assistance for Needy Families - CFDA No. 93.558; September 1, 2016 - September 30, 2020 - Year ended December 31, 2018

Condition: The Organization assessed a family at the wrong Healthy Families program level, resulting in two months lacking the required number of visits necessary in order to be billed to the grant.

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Criteria: The Organization must maintain a system of internal control that ensures proper assessment of program levels and corresponding review of level assignments input into the program database so that the Organization only collects federal funds for allowable activities.

Cause: Internal controls requiring the review of level assignments and inputs to the program database are not properly designed.

Effect: Federal funds were received for services to a family that did not have the required number of visits in two months of the year.

Context: The error was identified in one of 40 unique families. The Organization is in the process of updating the design of its internal controls for this federal program.

Recommendation: We recommend that management implement a review process that requires for a second person with adequate skills, knowledge, and experience to examine the program level assignments and related information input to the database.

Identification of Repeat Findings: This is not a repeat finding.

Views of Responsible Officials and Planned Corrective Actions: Internal controls have been adjusted to increase the effectiveness of the review completed on all client files to ensure compliance.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2018

There were no prior year findings.



2019 Board of Directors

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Brook Germann
Sheila Gordy
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Jill Sigsbee
Alex and Michelle Strati
Jeff and Phid Wells*

Child and Parent Services, Inc.

Corrective Action Plan

Cognizant or Oversight Agency for Audit: Department of Health and Human Services

Child and Parent Services, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Kruggel, Lawton & Company, LLC
317 W. Franklin St.
Elkhart, IN 46517

Audit period: January 1, 2018 - December 31, 2018

The findings from the 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**FINDINGS – FEDERAL AWARD PROGRAM AUDITS
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2018-001 TANF Cluster: Temporary Assistance for Needy Families–
CFDA No 93.558

MATERIAL WEAKNESS AND NONCOMPLIANCE

Issue Raised: CAPS billed the federal grant for one family that was over income eligibility requirements rather than assigning the family to an available nonfederal funding source. Adequate documentation was not retained to support the income eligibility determination of two additional families billed to the federal grant.

Corrective Action Plan: Internal controls were immediately adjusted upon finding of error to increase the effectiveness of the review completed on all client files to ensure compliance. Supervisory level staff were re-trained in review procedures and additional internal audits are to be completely at least bi-annually to detect errors/missing documentation. In addition, CAPS has connected with Indiana Department of Child Services grant coordinators to make any necessary billing adjustments.

2018-002

TANF Cluster: Temporary Assistance for Needy Families– CFDA No 93.558

MATERIAL WEAKNESS AND NONCOMPLIANCE

Issue Raised: The Organization assessed a family at the wrong Healthy Families program level, resulting in two months lacking the required number of visits necessary in order to be billed to the grant.

Corrective Action Plan: Internal controls were immediately adjusted upon finding of error to increase the effectiveness of the review completed on all client files to ensure compliance. Supervisory level staff were re-trained in review procedures and additional internal audits are to be completed at least bi-annually to detect errors/missing documentation. In addition, CAPS has connected with Indiana Department of Child Services grant coordinators to make any necessary billing adjustments.

Sincerely,



Alexa R. Smith

CFO, Child and Parent Services, Inc.

Individual responsible for implementing Corrective Action Plan