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August 5, 2020

Board of Directors
Huffer Memorial Children's Center, Inc.
2000 North Elgin Street
Muncie, IN 47303

We have reviewed the audit report of Huffer Memorial Children's Center, Inc. which was opined upon by Agresta, Storms & O'Leary, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Huffer Memorial Children's Center, 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.

In our opinion, Agresta, Storms & O'Leary, PC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The audit 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

**HUFFER MEMORIAL
CHILDREN'S CENTER, INC.**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

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Independent Auditors' Report

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
Muncie, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Huffer Memorial Children's Center, Inc. (the Company) (an Indiana Not-For-Profit Corporation) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Company'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 Company'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

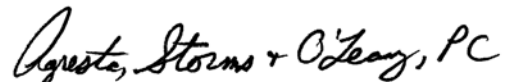
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huffer Memorial Children's Center, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of Huffer Memorial Children's Center, 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 Huffer Memorial Children's Center, 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 Huffer Memorial Children's Center, Inc.'s internal control over financial reporting and compliance.



Indianapolis, Indiana
November 22, 2019

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current assets:

| | |
|---------------------------------|-----------|
| Cash and cash equivalents | \$ 48,110 |
| Accounts and pledges receivable | 285,968 |
| Prepaid insurance | 12,449 |

Total current assets 346,527

Property and equipment:

| | |
|-------------------------------------|-----------|
| Building and leasehold improvements | 1,087,342 |
| Classroom and playground equipment | 206,620 |
| Office furniture and equipment | 199,438 |
| Kitchen equipment | 41,344 |
| Vehicles | 32,358 |
| Land | 20,243 |

| | |
|--------------------------|--------------------|
| | 1,587,345 |
| Accumulated depreciation | <u>(1,091,728)</u> |

Total property and equipment 495,617

Other assets:

| | |
|-------------------|------------|
| Security deposits | <u>500</u> |
|-------------------|------------|

Total other assets 500

Total assets \$ 842,644

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|----------------------------|-----------|
| Line of credit | \$ 20,632 |
| Accounts payable | 117,567 |
| Accrued salaries and wages | 36,827 |
| Accrued vacation pay | 42,212 |

Total current liabilities 217,238

Net assets:

| | |
|----------------------------|---------------|
| Without donor restrictions | 555,930 |
| With donor restrictions | <u>69,476</u> |

Total net assets 625,406

Total liabilities and net assets \$ 842,644

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|--|-------------------|
| Revenues and other support: | | | |
| Child care grants and vouchers | \$ 579,658 | \$ -0- | \$ 579,658 |
| Other public funding | 1,183,105 | 47,375 | 1,230,480 |
| Program service fees | 86,343 | -0- | 86,343 |
| School lunch program | 91,416 | -0- | 91,416 |
| United Way | 3,333 | 77,575 | 80,908 |
| Contributions | 2,084 | -0- | 2,084 |
| Other income | 84,926 | 25,000 | 109,926 |
| | <u>2,030,865</u> | <u>149,950</u> | <u>2,180,815</u> |
| Net assets released from restrictions | <u>121,512</u> | <u>(121,512)</u> | <u>-0-</u> |
| Total revenues and other support | <u>2,152,377</u> | <u>28,438</u> | <u>2,180,815</u> |
| Expenses: | | | |
| Program services | 1,924,714 | -0- | 1,924,714 |
| Management and general | 196,496 | -0- | 196,496 |
| Fundraising | 9,803 | -0- | 9,803 |
| Total expenses | <u>2,131,013</u> | <u>-0-</u> | <u>2,131,013</u> |
| Change in net assets | 21,364 | 28,438 | 49,802 |
| Net assets, beginning of year | <u>534,566</u> | <u>41,038</u> | <u>575,604</u> |
| Net assets, end of year | <u>\$ 555,930</u> | <u>\$ 69,476</u> | <u>\$ 625,406</u> |

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Salaries | \$ 1,331,971 | \$ 128,769 | \$ 8,157 | \$ 1,468,897 |
| Payroll taxes | 109,475 | 9,978 | 586 | 120,039 |
| Grant expense | 116,511 | -0- | -0- | 116,511 |
| Food costs | 71,341 | -0- | -0- | 71,341 |
| Building and grounds maintenance | 53,259 | 5,918 | -0- | 59,177 |
| Professional fees | 31,809 | 14,739 | -0- | 46,548 |
| Utilities | 40,960 | 3,934 | -0- | 44,894 |
| Depreciation | 33,268 | 3,079 | -0- | 36,347 |
| Other occupancy cost | 30,000 | -0- | -0- | 30,000 |
| Travel | 29,127 | -0- | -0- | 29,127 |
| Miscellaneous expense | 15,339 | 11,208 | 832 | 27,379 |
| Employee benefits | 21,071 | 2,480 | 188 | 23,739 |
| Telephone | 17,687 | 3,498 | -0- | 21,185 |
| Insurance | 9,631 | 1,070 | -0- | 10,701 |
| Other supplies | 4,119 | 6,102 | 40 | 10,261 |
| Educational program supplies | 5,027 | -0- | -0- | 5,027 |
| Interest expense | -0- | 3,588 | -0- | 3,588 |
| Property taxes | -0- | 1,836 | -0- | 1,836 |
| Advertising | 1,764 | -0- | -0- | 1,764 |
| Subscription and dues | 1,419 | -0- | -0- | 1,419 |
| Printing and postage | 936 | 297 | -0- | 1,233 |
| Total | <u>\$ 1,924,714</u> | <u>\$ 196,496</u> | <u>\$ 9,803</u> | <u>\$ 2,131,013</u> |

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

| | |
|---|-------------------------|
| Cash flows from operating activities: | |
| Cash received from grants and program services | \$ 2,131,999 |
| Cash paid to suppliers and employees | (2,209,030) |
| Cash received from contributions | 2,084 |
| Rent received | 1,075 |
| Interest paid | (3,588) |
| Cash received from other sources | <u>81,069</u> |
| Net cash provided by operating activities | <u>3,609</u> |
| Cash flows from investing activities: | |
| Proceeds from sale of property | 27,782 |
| Purchases of fixed assets | <u>(58,826)</u> |
| Net cash used in investing activities | <u>(31,044)</u> |
| Cash flows from financing activities: | |
| Net borrowings on line of credit | <u>69,348</u> |
| Net cash provided by financing activities | <u>69,348</u> |
| Net increase in cash and cash equivalents | 41,913 |
| Cash and cash equivalents, beginning of year | <u>6,197</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 48,110</u></u> |

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Huffer Memorial Children's Center, Inc. (the Center) is an Indiana nonprofit corporation, incorporated on February 18, 1965, for the purpose of providing childcare for the economically disadvantaged. The Center also operates a child care resource and referral program (CCR&R) that delivers referrals to families, trains child care providers, and works with community initiatives to increase the quality of early childhood education within the 10 counties they serve. The Center is supported through a block grant from Indiana Family and Social Services, Indiana Department of Education, service fees, United Way, and contributions. Subsequent to December 31, 2018, the CCR&R program was discontinued.

BASIS OF PRESENTATION

The financial statements follow certain provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. This statement established standards for external financial reporting for not-for-profit organizations.

ASC 958 primarily affects the display of financial statements and requires that the amounts for each of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions – be displayed in an aggregate statement of financial position and the amounts of change in each of those classes be displayed in a statement of activities. The two net asset accounts used include the following:

Net Assets without Donor Restrictions—Funds that have not been restricted in any manner by the donors are referred to as net assets without donor restrictions and are available for general purposes. At December 31, 2018, the Center had net assets without donor restrictions of \$555,930.

Net Assets with Donor Restrictions—Net asset amounts received from donors or grantors who have specified the use of their gifts or grants for specific purposes. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met by future obligations or are to be invested and maintained intact in perpetuity. At December 31, 2018, the Center had net assets with donor restrictions of \$69,476.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. It is the policy of the Center to capitalize property and equipment over \$1,000.

REVENUE RECOGNITION

Revenues and other support are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contract revenues are recorded in the period in which the service was provided. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, contributions that are restricted by the donor are reported as increases to net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

INCOME TAXES

The Center is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

The Center's federal and state income tax returns for 2015, 2016, and 2017 are subject to examination by taxing authorities, generally for three years after they were filed.

ACCOUNTS RECEIVABLE AND PLEDGES

Accounts receivable are stated at unpaid balances. Management of the Center believes the amounts are fully collectible and, therefore, have not recorded a reserve for uncollectible amounts at December 31, 2018. No interest is charged on past due amounts (see Note 8).

FUNCTIONAL EXPENSES

The allocation of the costs of providing the Center's various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program services, management and general, and fundraising based on management's estimates of resources devoted to these activities.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

ECONOMIC DEPENDENCY

The Center is economically dependent on funding received from the State of Indiana. The following percentages make up the contributions to the Center for revenue and other support for the year ended December 31, 2018:

| | |
|--------------------------------------|-----|
| CCDF Welfare Vouchers for Child Care | 13% |
| CCDF Resource and Referral | 39% |
| CCDF Contract | 10% |

CREDIT RISKS

The Center, at any point in time, has significant receivables principally from federal, state, and county funding sources. Management does not believe there are any undue credit risks resulting from these assets due to the approval status of the contracts. At December 31, 2018, 71% of the accounts receivable are from two funding sources.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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. Significant estimates made in the preparation of the financial statements include depreciation.

NEW ACCOUNTING STANDARD

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958) that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, functional expenses, and cash flows. This new standard, which the Center has adopted during the year ended December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. The effect of ASU No. 2016-14 resulted in a reclassification of temporarily restricted net assets to net assets with donor restrictions of \$41,038 on January 1, 2018.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2018, the Center's financial assets available for general expenditures within one year of the statement of financial position date include the following:

| | |
|---|--------------------------|
| Cash and cash equivalents | \$ 48,110 |
| Accounts and pledges receivable | <u>285,968</u> |
| Total financial assets | 334,078 |
| Less amounts unavailable for general expenditures within one year due to: | |
| Restricted by donors with purpose restrictions | <u>(69,476)</u> |
| Total financial assets available to management for general expenditures within one year | <u><u>\$ 264,602</u></u> |

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Center also has a committed line of credit totaling \$50,000, which it could draw upon in the event of an unanticipated liquidity need.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

| | |
|-------------------------------------|----------------|
| Building and leasehold improvements | 10 to 50 years |
| Kitchen equipment | 5 to 12 years |
| Office furniture and equipment | 3 to 12 years |
| Classroom and playground equipment | 3 to 10 years |
| Vehicles | 7 years |

Depreciation expense was \$36,347 for the year ended December 31, 2018.

4. LINE OF CREDIT

The Center has a \$50,000 line of credit with a bank. Borrowings under the line of credit bear interest at the Prime Rate as published in *The Wall Street Journal*. The line of credit is unsecured and requires monthly interest payments. Any outstanding principal is due on demand. At December 31, 2018, the outstanding balance on the line of credit was \$20,632.

5. RESTRICTIONS/LIMITATIONS ON NET ASSETS

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

| | |
|---|------------------|
| United Way (Educare) | \$ 38,788 |
| Facility improvements (Educare) | 11,163 |
| Coalition project (Resource and Referral) | <u>19,525</u> |
| | <u>\$ 69,476</u> |

6. RETIREMENT PLAN

The Center has a 403(b) savings plan whereby employees can contribute and defer taxes on compensation contributed to the plan. The Center does not contribute to the plan.

7. OPERATING LEASE

The Center has entered into a lease agreement which expires July 31, 2019 with an option to renew annually. The agreement is for use of an office building located in Muncie, Indiana. The monthly rent on this lease is \$2,500. The Center also leases office equipment under a noncancelable agreement through November 2019. Total rent expense for the year ended December 31, 2018 under the above lease agreements was \$30,000.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Minimum future lease payments under these leases (including enacted optional renewal periods) for the next five years are summarized as follows:

| | |
|----------------------------------|-------------------------|
| Years ended December 31, 2019 | <u>\$ 19,375</u> |
| | <u><u>\$ 19,375</u></u> |

8. PLEDGES RECEIVABLE

Pledges receivable have not been adjusted to reflect the net present value of the future cash flows, since all pledge receivables are expected to be received within one year. At December 31, 2018, pledges receivable were \$38,788.

9. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, the Center has evaluated subsequent events through November 22, 2019, which is the date these financial statements were available to be issued, and has determined that, except for the item described in Note 1, there are no other subsequent events that require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|----------------------------|
| U.S. Department of Health and Human Services: | | |
| Pass-through Indiana Family and Social Services Administration: | | |
| Social Service Block Grant-Child Care | 93.596 | \$ 225,794 |
| CCDF Resource and Referral | 93.575 | <u>785,787</u> |
| Subtotal Department of Health and Human Services | | 1,011,581 |
| U.S. Department of Agriculture: | | |
| Pass-through Indiana Department of Education Division of Child Care | | |
| Food Program | 10.558 | <u>91,416</u> |
| Total expenditures of federal awards | | <u><u>\$ 1,102,997</u></u> |

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

1. BASIS OF PRESENTATION

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

DE MINIMIS COST RATE

The Corporation does not utilize the 10% de minimis cost rate because the guidance under Part 200.414 *Indirect Costs* does not apply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

Expenditures consist of direct and indirect costs. Direct costs are those that can be readily identified with an individual federally sponsored program. Benefit payments made on behalf of an eligible recipient and the materials consumed by the program are examples of direct costs.

Unlike direct costs, indirect costs cannot be readily identified with an individually sponsored project. Indirect costs are the costs of services and resources that benefit many projects as well as nonsponsored projects and activities. Indirect costs primarily consist of expenses incurred for administration, payroll taxes and fringe benefits.

3. MANAGEMENT'S USE OF ESTIMATES

The above basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities reported in the Schedule of Expenditures of Federal Awards. Actual results could differ from those estimates.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2018

FEDERAL AWARD FINDING AND SIGNIFICANT DEFICIENCY

Finding No. 2017-001

Statement of Condition: The amounts claimed for reimbursement for grant funds for CCDF Resource and Referral exceeded actual costs over a five-month period by a total of \$4,650.

Recommendation: Management should contact the awarding agency for corrective action and consider additional internal review processes for claim submission.

Management Response: Management agrees with the finding and had remitted excess funds back to the awarding agency.

Status: Cleared

Finding No. 2017-002

Statement of Conditions: The Organization did not complete and file the required SF-SAC Single Audit Data Collection Form electronically in a timely manner.

Recommendation: The Organization should perform an analysis of federal funds received during the fiscal year in a timely manner to allow for proper and timely engagement and completion of the audit and SF-SAC Single Audit Data Collection Form by the required due date.

Management Response: Management agreed with the finding and engaged a qualified audit firm to perform the Uniform Guidance audit and complete the SF-SAC Single Audit Data Collection Form for the year ended December 31, 2016.

Status: Cleared



Independent Auditors' 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 of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
(an Indiana Not-For-Profit Corporation)
Muncie, 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 Huffer Memorial Children's Center, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets, 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 November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Huffer Memorial Children's Center, Inc.'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 Huffer Memorial Children's Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Huffer Memorial Children's Center, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Huffer Memorial Children's Center, Inc.'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.

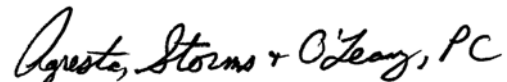
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Huffer Memorial Children's Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 Huffer Memorial Children's Center, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huffer Memorial Children's Center, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Agreste, Storms & O'Leary, PC". The signature is written in a cursive, flowing style.

Indianapolis, Indiana
November 22, 2019



Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
(an Indiana Not-For-Profit Corporation)
Muncie, Indiana

Report on Compliance for Each Major Federal Program

We have audited Huffer Memorial Children's Center, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on Huffer Memorial Children's Center, Inc.'s major federal program for the year ended December 31, 2018. Huffer Memorial Children's Center, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Huffer Memorial Children's Center, Inc.'s major federal program 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 (CFR) 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 compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Huffer Memorial Children's Center, Inc.'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 with the major federal program. However, our audit does not provide a legal determination of Huffer Memorial Children's Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Huffer Memorial Children's Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program identified above for the year ended December 31, 2018.

Report on Internal Control over Compliance

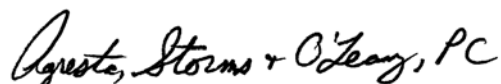
Management of Huffer Memorial Children's Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Huffer Memorial Children's Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Huffer Memorial Children's Center, Inc.'s internal control over compliance.

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

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

Purpose of This Report

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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Indianapolis, Indiana
November 22, 2019

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified that are not considered to be material weaknesses? YES NO

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified that are not considered to be material weaknesses? YES NO

Type of auditors' report issued: Unmodified

Any audit findings disclosed required to be reported in accordance with section 200.516 of OMB Uniform Guidance? YES NO

Identification of major programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 93.575 | Pass-through Indiana Family and Social Services Administration CCDF Resource and Referral |

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? YES NO

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported for the year ended December 31, 2018.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported for the year ended December 31, 2018.



Independent Auditors' Report on Supplementary Information

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
Muncie, Indiana

We have audited the financial statements of Huffer Memorial Children's Center, Inc. as of and for the year ended December 31, 2018, and have issued our report thereon dated November 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedule of Revenues and Other Support is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
November 22, 2019

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF REVENUES AND OTHER SUPPORT

YEAR ENDED DECEMBER 31, 2018

| | <u>Amount</u> | <u>Percent of Total</u> |
|--|----------------------------|-----------------------------|
| Revenue funding source: | | |
| CCDF Welfare Vouchers for Child Care | \$ 279,451 | 12.8 % |
| CCDF Contract | 225,794 | 10.4 |
| CCDF Resource and Referral | 848,444 | 38.9 |
| Head Start | 194,619 | 8.9 |
| On My Way Pre K | <u>74,413</u> | <u>3.4</u> |
| Total Indiana Family Social Services | 1,622,721 | 74.4 % |
| Indiana Department of Education - School and Community Nutrition | 91,416 | 4.2 |
| Program Service Fees | 86,343 | 4.0 |
| United Way donations | 80,908 | 3.7 |
| Early Learning Indiana | 74,731 | 3.4 |
| Ball State University - 21st Century / MP3 | 41,511 | 1.9 |
| Rush County grant | 25,000 | 1.1 |
| Ball Brothers Foundation | 27,500 | 1.3 |
| Community Foundation of Muncie and Delaware County | 23,375 | 1.1 |
| Muncie BY5 | 19,992 | 0.9 |
| Muncie Community Schools | 12,890 | 0.6 |
| Fayette County grant | 10,000 | 0.5 |
| Henry County grant | 10,000 | 0.5 |
| Work study grants | 3,881 | 0.2 |
| Contributions | 2,084 | 0.1 |
| Farm rent income | 1,075 | 0.1 |
| CDA support grant | 1,000 | 0.1 |
| Other | <u>46,388</u> | <u>1.9</u> |
| Total revenues and other support | <u>\$ 2,180,815</u> | <u>100.0 %</u> |