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September 15, 2020

Board of Directors
Family & Children's Center Counseling and Development Services, Inc.
315 West Jefferson Boulevard
South Bend, IN 46601

We have reviewed the audit report of Family & Children's Center Counseling and Development Services, Inc., which was opined upon by Cullar & Associates, PC, 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 Family & Children's Center Counseling and Development 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.

In our opinion, Cullar & Associates, PC prepared the audit report in accordance with the 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

FINANCIAL AND COMPLIANCE REPORT

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

December 31, 2018 and 2017

CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION | 1-2 |
| FINANCIAL STATEMENTS | |
| Statements of financial position | 3 |
| Statements of activities | 4 |
| Statements of functional expenses | 5-6 |
| Statements of cash flows | 7 |
| Notes to financial statements..... | 8-14 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of expenditures of federal awards..... | 15 |
| Notes to schedule of expenditures of federal awards | 16 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 17-18 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 19-20 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 21-22 |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS | 23 |

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

To the Board of Directors
Family & Children's Center Counseling and Development Services, Inc.
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Family & Children's Center Counseling and Development Services, Inc., 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 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 Family & Children's Center Counseling and Development 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.

Adoption of New Accounting Standard

As discussed in Note 1 to financial statements, in 2018 Family & Children’s Center Counseling and Development Services, Inc. adopted Accounting Standards Update No. 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.

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 on page 15, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of Family & Children’s Center Counseling and Development 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 Family & Children’s Center Counseling and Development 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 Family & Children’s Center Counseling and Development Services, Inc.’s internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
June 27, 2019

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 43,630 | \$ 189,360 |
| Promises to give | 213,110 | 180,078 |
| Prepaid expenses | 12,472 | 6,500 |
| Due from affiliates | 51,294 | - |
| Property and equipment | 18,891 | - |
| Deposits | <u>8,333</u> | <u>-</u> |
| <i>Total assets</i> | <u>\$ 347,730</u> | <u>\$ 375,938</u> |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 78,746 | \$ 75,275 |
| Deferred revenue | <u>4,500</u> | <u>-</u> |
| <i>Total liabilities</i> | <u>83,246</u> | <u>75,275</u> |
| Net Assets: | | |
| Without donor restrictions | 254,709 | 300,663 |
| With donor restrictions | <u>9,775</u> | <u>-</u> |
| <i>Total net assets</i> | <u>264,484</u> | <u>300,663</u> |
| <i>Total liabilities and net assets</i> | <u>\$ 347,730</u> | <u>\$ 375,938</u> |

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals | Without Donor Restrictions | With Donor Restrictions | Totals |
| Support and revenues: | | | | | | |
| Grants: | | | | | | |
| Healthy Families | \$ 1,315,465 | \$ - | \$ 1,315,465 | \$ 1,495,185 | \$ - | \$ 1,495,185 |
| Brain Train | 30,673 | - | 30,673 | 58,240 | - | 58,240 |
| From affiliates | 121,564 | 10,000 | 131,564 | 184,629 | - | 184,629 |
| Other | 7,551 | 4,860 | 12,411 | 9,202 | - | 9,202 |
| Private contributions | 33,800 | - | 33,800 | 147,787 | - | 147,787 |
| Special events | 88,242 | - | 88,242 | 63,806 | - | 63,806 |
| Other | - | - | - | 415 | - | 415 |
| Net assets released from restrictions | 5,085 | (5,085) | - | 6,115 | (6,115) | - |
| <i>Total support and revenues</i> | <u>1,602,380</u> | <u>9,775</u> | <u>1,612,155</u> | <u>1,965,379</u> | <u>(6,115)</u> | <u>1,959,264</u> |
| Expenses: | | | | | | |
| Program services expenses: | | | | | | |
| Healthy Families | 1,221,460 | - | 1,221,460 | 1,360,325 | - | 1,360,325 |
| Brain Train | 26,067 | - | 26,067 | 30,292 | - | 30,292 |
| Read Baby Read | 5,085 | - | 5,085 | 6,115 | - | 6,115 |
| <i>Total program services expenses</i> | <u>1,252,612</u> | <u>-</u> | <u>1,252,612</u> | <u>1,396,732</u> | <u>-</u> | <u>1,396,732</u> |
| Supporting services expenses | | | | | | |
| Management and general | 265,026 | - | 265,026 | 231,978 | - | 231,978 |
| Fundraising | 126,160 | - | 126,160 | 83,585 | - | 83,585 |
| <i>Total supporting services expenses</i> | <u>391,186</u> | <u>-</u> | <u>391,186</u> | <u>315,563</u> | <u>-</u> | <u>315,563</u> |
| Unallocated dues to national affiliates | 4,536 | - | 4,536 | 4,588 | - | 4,588 |
| <i>Total expenses</i> | <u>1,648,334</u> | <u>-</u> | <u>1,648,334</u> | <u>1,716,883</u> | <u>-</u> | <u>1,716,883</u> |
| Change in net assets | (45,954) | 9,775 | (36,179) | 248,496 | (6,115) | 242,381 |
| Net assets, beginning of year | 300,663 | - | 300,663 | 52,167 | 6,115 | 58,282 |
| <i>Net assets, end of year</i> | <u>\$ 254,709</u> | <u>\$ 9,775</u> | <u>\$ 264,484</u> | <u>\$ 300,663</u> | <u>\$ -</u> | <u>\$ 300,663</u> |

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

| | <u>Healthy</u> | <u>Brain</u> | <u>Read</u> | <u>Baby</u> | <u>Management</u> | <u>Fund-</u> | <u>Totals</u> |
|------------------------|---------------------|------------------|-----------------|-------------|-------------------|-------------------|---------------------|
| | <u>Families</u> | <u>Train</u> | <u>Read</u> | <u>and</u> | <u>General</u> | <u>raising</u> | |
| Salaries | \$ 836,643 | \$ 12,649 | \$ - | \$ - | \$ 158,016 | \$ 52,481 | \$ 1,059,789 |
| Payroll taxes | 82,548 | 1,661 | - | - | 12,913 | 4,636 | 101,758 |
| Retirement | 14,506 | 21 | - | - | 3,289 | 1,214 | 19,030 |
| Insurance | <u>104,341</u> | <u>120</u> | <u>-</u> | <u>-</u> | <u>5,525</u> | <u>5,634</u> | <u>115,620</u> |
| <i>Total personnel</i> | 1,038,038 | 14,451 | - | - | 179,743 | 63,965 | 1,296,197 |
| Information technology | - | - | - | - | 26,685 | - | 26,685 |
| Facility rent | 99,750 | 5,250 | - | - | - | - | 105,000 |
| Program supplies | 14,924 | 2,906 | - | - | 299 | - | 18,129 |
| Medical expenses | 2,488 | 111 | - | - | - | 111 | 2,710 |
| Recruiting | 1,582 | - | - | - | - | 184 | 1,766 |
| Food | 1,232 | 15 | - | - | 3,724 | - | 4,971 |
| Telephone | 9,572 | 30 | - | - | 959 | 330 | 10,891 |
| Staff development | 9,058 | 535 | - | - | 7,751 | - | 17,344 |
| Public relations | - | 143 | - | - | - | 14,429 | 14,572 |
| Postage | 2,783 | - | - | - | 1,411 | - | 4,194 |
| Office supplies | 3,889 | 249 | - | - | 2,622 | - | 6,760 |
| Travel | 30,124 | - | - | - | 691 | - | 30,815 |
| Special events | - | - | - | - | - | 47,141 | 47,141 |
| Professional fees | 933 | 48 | 5,085 | - | 28,121 | - | 34,187 |
| Depreciation | 1,453 | - | - | - | - | - | 1,453 |
| Other | <u>5,634</u> | <u>2,329</u> | <u>-</u> | <u>-</u> | <u>13,020</u> | <u>-</u> | <u>20,983</u> |
| <i>Totals</i> | <u>\$ 1,221,460</u> | <u>\$ 26,067</u> | <u>\$ 5,085</u> | <u>\$ -</u> | <u>\$ 265,026</u> | <u>\$ 126,160</u> | <u>\$ 1,643,798</u> |

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

| | <u>Healthy Families</u> | <u>Brain Train</u> | <u>Read Baby Read</u> | <u>Management and General</u> | <u>Fund- raising</u> | <u>Totals</u> |
|------------------------|-----------------------------|------------------------|-------------------------------|-----------------------------------|--------------------------|---------------------|
| Salaries | \$ 938,174 | \$ 20,170 | \$ - | \$ 160,757 | \$ 48,842 | \$ 1,167,943 |
| Payroll taxes | 92,565 | 2,692 | - | 13,358 | 4,163 | 112,778 |
| Retirement | 16,000 | 314 | - | 3,037 | - | 19,351 |
| Insurance | 108,357 | 247 | - | 7,773 | 3,962 | 120,339 |
| <i>Total personnel</i> | 1,155,096 | 23,423 | - | 184,925 | 56,967 | 1,420,411 |
| Information technology | - | - | - | 23,406 | - | 23,406 |
| Facility rent | 114,000 | 6,000 | - | - | - | 120,000 |
| Program supplies | 14,955 | 78 | - | 519 | - | 15,552 |
| Medical expenses | 3,192 | 53 | - | 77 | 25 | 3,347 |
| Recruiting | 2,478 | - | - | 212 | - | 2,690 |
| Food | 2,848 | 50 | - | 272 | - | 3,170 |
| Telephone | 10,645 | 15 | - | 1,153 | - | 11,813 |
| Staff development | 10,590 | 340 | - | 3,452 | - | 14,382 |
| Public relations | - | 32 | - | - | 3,545 | 3,577 |
| Postage | 2,553 | - | - | 1,052 | - | 3,605 |
| Office supplies | 6,630 | 120 | - | 760 | - | 7,510 |
| Travel | 33,570 | 23 | - | 61 | - | 33,654 |
| Special events | - | - | - | - | 19,926 | 19,926 |
| Professional fees | 1,038 | 68 | 6,115 | 12,373 | - | 19,594 |
| Other | 2,730 | 90 | - | 3,716 | 3,122 | 9,658 |
| <i>Totals</i> | <u>\$ 1,360,325</u> | <u>\$ 30,292</u> | <u>\$ 6,115</u> | <u>\$ 231,978</u> | <u>\$ 83,585</u> | <u>\$ 1,712,295</u> |

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|
| Change in Cash and Cash Equivalents: | | |
| Cash Flows from Operating Activities: | | |
| Cash from grants and contributions | \$ 1,490,881 | \$ 1,896,985 |
| Cash from special events | 92,742 | 63,806 |
| Cash from others | - | 415 |
| Cash paid to employees, vendors and others | <u>(1,657,715)</u> | <u>(1,713,298)</u> |
| <i>Net cash provided by (used in) operations</i> | <u>(74,092)</u> | <u>247,908</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | <u>(20,344)</u> | <u>-</u> |
| Cash Flows from Financing Activities: | | |
| (Increase) decrease in due from affiliates | (51,294) | 162,123 |
| (Decrease) in due to affiliates | <u>-</u> | <u>(312,323)</u> |
| <i>Net cash (used in) financing activities</i> | <u>(51,294)</u> | <u>(150,200)</u> |
| Net change in cash and cash equivalents | (145,730) | 97,708 |
| Cash and cash equivalents, beginning of year | <u>189,360</u> | <u>91,652</u> |
| <i>Cash and cash equivalents, end of year</i> | <u>\$ 43,630</u> | <u>\$ 189,360</u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operations | | |
| Change in net assets | \$ (36,179) | \$ 242,381 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,453 | - |
| Changes in assets and liabilities: | | |
| Promises to give | (33,032) | 1,942 |
| Prepaid expenses | (5,972) | (6,500) |
| Deposits | (8,333) | - |
| Accounts payable and accrued liabilities | 3,471 | 10,085 |
| Deferred revenue | <u>4,500</u> | <u>-</u> |
| <i>Net cash provided by (used in) operating activities</i> | <u>\$ (74,092)</u> | <u>\$ 247,908</u> |

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Family & Children's Center Counseling and Development Services, Inc. (the Organization, we, us, our) is an Indiana nonprofit corporation providing programs that empower individuals and families by promoting human growth and dignity and preventing abuse through advocacy, education, counseling, and supportive services in Northern Indiana. Our operations are supported primarily by governmental grants and contracts, grants from related parties, and special events. We fulfill our mission by focusing our efforts in two primary service areas:

- *Healthy Families* – Our Healthy Families program provides help to new parents by offering support and resources to them so parents can understand their child's development.
- *Brain Train* – Our Brain Train program provides a family-friendly play environment that supports healthy brain development in infants and young children.

Significant Accounting Policies:

Method of Presentation:

As discussed further in Note 2, Organization is controlled by and related to Family and Children's Center, Inc. Our financial statements present our financial position, results from operations, and cash flows only and do not include the accounts of Family and Children's Center, Inc. or its other affiliates.

Use of Estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying financial statements include-

- Revenue recognized on grants from governmental agencies that are governed by administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The allocations of costs among functions, which are based on time and facility usage studies and other cost allocation methods.

Net Asset Classes:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. However, if a restriction is fulfilled in the same time period in which the contribution is received, we report the contribution or support without restriction.

Cash and Cash Equivalents:

We consider highly liquid financial instruments with original maturities of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

Property and Equipment:

Property and equipment is stated at cost if acquired, or at fair market value at the date of receipt if donated, less accumulated depreciation and less any required impairment allowance. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, which generally is 7 years for furniture and office equipment.

We review the carrying values of property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent that carrying value exceeds the fair value of the assets. We considered no such assets to be impaired in 2018 or 2017.

Revenue and Revenue Recognition:

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of goods are recorded at fair value at the date contributed. Contributions of the use of facilities at no charge or at below-market charge are recorded at fair value, less any

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

charges. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. In addition, a substantial number of volunteers donate significant amounts of time to the Organization that are not recorded because the criteria for recognition have not been met.

Beneficial Interests in Assets Held by Others:

We recognize our beneficial interests in assets held by others unless the donor has granted the recipient organization variance power.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, payroll taxes, retirement, insurance benefits, program supplies, food, telephone, staff development, public relations, postage, office supplies, professional fees, and other, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Advertising Costs:

Advertising costs are expensed when incurred. Advertising expense was \$143 and \$32 for the years ending December 31, 2018 and 2017, respectively.

Income Taxes:

We are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on income derived from business activities that are unrelated to our exempt purpose. We have been determined to not be a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There is no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2018 or 2017, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to December 31, 2015.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, local individuals, and others supportive of our mission.

Recent Accounting Pronouncements and Accounting Changes:

In 2018, we adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two net asset classes instead of the previous three; recognition of underwater endowment funds as a reduction of net assets with donor restrictions; and enhanced disclosures for board-designated amounts, composition of net assets without donor restrictions, and liquidity. In addition, we have elected to change our reporting of the statements of cash flows to the direct method from the indirect method, which we believe will provide more useful information to users of our financial statements.

Subsequent Events:

We have evaluated events occurring subsequent to December 31, 2018 for possible adjustment to the financial statements or disclosure through June 27, 2019, the date the financial statements were available to be issued.

NOTE 2. RELATED PARTY INFORMATION

We are related through common control, management, and purpose to the following nonprofit organizations (collectively, the Affiliates):

- *Boys and Girls Club of St. Joseph County, Inc.*, which provides programs that enable young people to reach their full potential as productive, caring, and responsible adults.
- *Family and Children's Center, Inc.*, which provides leadership and mission support services to the Affiliates.
- *Family and Children's Center Foundation, Inc.*, which provides financial support to the Affiliates.

Family and Children's Center, Inc. controls the Affiliates through direct and indirect voting control of the Boards of Directors. All members of our Board of Directors must be approved by the Family and Children's Center, Inc. Board, and up to one-half of our Board members may be appointed by the Family and Children's Center, Inc. Board. In addition, the Family and Children's Center's Board of Directors must include at least one member from each Affiliate's Board of Directors, and the number of members of that Board who are not members of Affiliates' Boards cannot exceed one-half of the number of members who are members of Affiliates' Boards.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

At December 31, 2018 and 2017, we were owed \$51,294 and none, respectively, from Affiliates, which are reported as such in the statements of financial position. We received grants of \$131,564 and \$184,629 from Family and Children's Center Foundation, Inc. for the years ended December 31, 2018 and 2017, respectively. For the years ending December 31, 2018 and 2017 we incurred \$30,000 and \$120,000, respectively, in rent to Family and Children's Center, Inc.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2018 are as follows:

| | |
|---|--------------------------|
| Cash and cash equivalents | \$ 33,855 |
| Promises to give | <u>213,110</u> |
| <i>Total financial assets available for general expenditure</i> | <u><u>\$ 246,965</u></u> |

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 4. PROMISES TO GIVE

Promises to give at both December 31, 2018 and 2017 consist of amounts due from grants for which the conditions have been met. All amounts are due within one year and no allowance for uncollectibles was considered necessary.

At December 31, 2018, we had received approximately \$2,069,000 in conditional promises to give under fee-for-service government grants. Such promises will be recognized as revenue if and when allowable services are provided.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017, respectively:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------------|--------------------|
| Furniture and office equipment | \$ 20,344 | \$ - |
| Less accumulated depreciation | <u>(1,453)</u> | <u>-</u> |
| <i>Net property and equipment</i> | <u><u>\$ 18,891</u></u> | <u><u>\$ -</u></u> |

NOTE 6. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017, respectively:

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------|-------------|
| Subject to expenditure for specified purposes: | | |
| Read Baby Read | \$ 4,915 | \$ - |
| Stronger Together Program | <u>4,860</u> | <u>-</u> |
| <i>Total net assets with donor restrictions</i> | <u>\$ 9,775</u> | <u>\$ -</u> |

Net assets were released from donor restrictions in both 2018 and 2017 by incurring expenses satisfying restricted purposes for the Read Baby Read program.

NOTE 7. COMMUNITY FOUNDATION ENDOWMENT

Community Foundation of St. Joseph County, Inc. (the Community Foundation) receives donations that are invested to provide income to us. The amount of income distributed is based upon Community Foundation's current spending policy and the amount of funds designated for the Society. Because the donations were from third-party donors who granted Community Foundation granted variance power over the assets, such assets are not reported in the accompanying statements of financial position.

We are the beneficiary of a fund held by the Community Foundation, which had a fair value of \$32,625 and \$36,355 at December 31, 2018 and 2017, respectively. We received contributions from this fund of \$1,682 and \$1,669 for the years ended December 31, 2018 and 2017, respectively, which are included in contributions revenue in the accompanying statements of activities.

NOTE 8. DEBT GUARANTEE

We, along with the other Affiliates, guarantee a \$1,100,000 bank line of credit for Family and Children's Center, Inc. with an outstanding balance of \$158,621 and \$98,621 at December 31, 2018 and 2017, respectively. No liability has been recorded for this guarantee because our management does not believe it is probable that the we will have to fulfill the guarantee.

NOTE 9. LEASE INFORMATION

We previously leased our facilities from Family and Children's Center, Inc. under an annual lease through March 2018. In April 2018, we entered into a lease with an unrelated party for our facilities requiring monthly rent, plus a share of operating expense increases, through March 2023. Total minimum future rental payments under this lease at December 31, 2018 for each of the next five years and in the aggregate are as follows:

| | |
|--------------|-------------------|
| 2019 | \$ 102,700 |
| 2020 | 106,300 |
| 2021 | 109,900 |
| 2022 | 113,500 |
| 2023 | <u>28,600</u> |
| <i>Total</i> | <u>\$ 461,000</u> |

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Total rent expense under the facility leases was \$105,000 and \$120,000 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10. RETIREMENT PLAN

Family and Children's Center, Inc. maintains a defined-contribution retirement pension plan under Internal Revenue Code Section 401(k) covering substantially all of the full-time employees within the controlled group. Employer contributions are based on 3% of eligible compensation. Our retirement expense was \$19,030 and \$19,351 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11. CONCENTRATIONS

All of our programs and activities occur in St. Joseph County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the years ended December 31, 2018 and 2017, approximately 82% and 76%, respectively, of total revenues were earned from the Indiana Department of Child Services under two grants.

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents, promises to give, and amounts due from Affiliates. We have cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. At December 31, 2018 we had no deposits with financial institutions that exceeded the federal deposit insurance coverage. At December 31, 2018 and 2017, approximately 94% and 93%, respectively, of promises to give were due from the Indiana Department of Child Services.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|---------------------------|--|---------------------------------------|----------------------------------|
| <i>U. S. Department of Health and Human Services:</i> | | | | |
| Passed-through Indiana Department of Child Services: | | | | |
| Maternal, Infants, and Early Childhood Home | | | | |
| Visiting Cluster: | | | | |
| Affordable Care Act (ACA) - Maternal, Infant, | | | | |
| and Early Childhood Home Visiting Program | 93.505 | A93-7-17-HF-MO-3762 | \$ - | \$ 527,171 |
| TANF Cluster: | | | | |
| Temporary Assistance for Needy Families | | | | |
| (TANF) | 93.558 | A93-7-17-HF-MO-3690 | - | <u>788,294</u> |
| <i>Total expenditures of federal awards</i> | | | <u>\$ -</u> | <u>\$ 1,315,465</u> |

The accompanying notes are an integral part of this schedule.

FAMILY & CHILDREN’S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family & Children’s Center Counseling and Development Services, Inc. The information in the 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 Family & Children’s Center Counseling and Development Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family & Children’s Center Counseling and Development Services, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATES

Family & Children’s Center Counseling and Development Services, Inc. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



CULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

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
Family & Children's Center Counseling and Development Services, Inc.
South Bend, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Family & Children's Center Counseling and Development Services, Inc. (the 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 financial statements, and have issued our report thereon dated June 27, 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 the 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.

Cullen & Associates, P.C.

South Bend, Indiana
June 27, 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
Family & Children's Center Counseling and Development Services, Inc.
South Bend, Indiana

Report on Compliance for Each Major Federal Program

We have audited Family & Children's Center Counseling and Development Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family & Children's Center Counseling and Development Services, Inc.'s major federal programs for the year ended December 31, 2018. Family & Children's Center Counseling and Development Services, Inc.'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 the requirements of 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 Family & Children's Center Counseling and Development Services, Inc.'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 Family & Children's Center Counseling and Development Services, 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 for each major federal program. However, our audit does not provide a legal determination of Family & Children's Center Counseling and Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Family & Children's Center Counseling and Development Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Family & Children's Center Counseling and Development Services, 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 Family & Children's Center Counseling and Development Services, Inc.'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 Family & Children's Center Counseling and Development Services, 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 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 preceding 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cullen & Associates, P.C.

South Bend, Indiana
June 27, 2019

FAMILY & CHILDREN’S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America- Unmodified

Internal control over financial reporting-

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major federal programs-

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Type of auditor’s report issued on compliance for major federal programs- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs-

CFDA Number

Name of Federal Program or Cluster

93.505

Maternal, Infant, and Early Childhood Home Visiting Cluster:
Affordable Care Act (ACA) - Maternal, Infant, and Early
Childhood Home Visiting Program

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

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There were no findings or questioned costs in the financial statement audit.

FAMILY & CHILDREN'S CENTER COUNSELING AND DEVELOPMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs in the major federal award programs audit.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

Financial Statements Audit

MATERIAL WEAKNESS

FINDING 2017-001 – INADEQUATE SEGREGATION OF DUTIES

Condition: This was a material weakness relating to inadequate segregation of duties. The Director of Business Operations performed most accounting functions without anyone else reviewing bank statements and canceled checks, bank reconciliations, or general journal entries.

Recommendations: The auditor recommended that a knowledgeable Board member or qualified volunteer do the following –

1. Obtain the monthly bank statements and canceled checks directly from the bank, and review those statements and checks for reasonableness of payees and amounts.
2. Review the monthly bank statement reconciliations for reasonableness of uncleared items and agree the reconciled balance to the related general ledger account.
3. Obtain the general journal entries monthly or quarterly and review the entries for reasonableness.

Current status: The Organization did engage a qualified volunteer to perform the above duties in 2018.