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December 16, 2020


Board of Directors  
Community and Family Services, Inc.  
521 South Wayne St., P.O. Box 1087  
Portland, IN 47371

We have reviewed the audit report of Community and Family Services, Inc. which was opined upon by Comer, Nowling and 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 Community and Family Services, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 25. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's response appears on page 25.

In our opinion, Comer, Nowling and 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.

  
Paul D. Joyce, CPA  
State Examiner

**Community and Family  
Services, Inc.**



**Financial Statements  
For The Year Ended  
December 31, 2018  
(With Single Audit Section)**

COMER  NOWLING

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*Certified Public Accountants*

**COMMUNITY AND FAMILY SERVICES, INC.  
FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position .....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7
<b>SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards.....	16
Notes to Schedule of Expenditures of Federal Awards .....	17
Schedule of Expenditures of State and Local Awards.....	18
Summary Schedule of Prior Audit Findings .....	19
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> .....	20
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i> .....	22
Schedule of Findings and Questioned Costs.....	24

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community and Family Services, Inc.  
Portland, Indiana

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

We have audited the accompanying financial statements of Community and Family Services, Inc. (a nonprofit organization), which comprise of the statement of financial position as of December 31, 2018, and the related statements of activities and 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Community and Family Services, 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.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Community and Family Services, Inc. as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures for state and local awards, as required by the Indiana State Board of Accounts, 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 October 19, 2020 on our consideration of Community and Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
October 19, 2020

**COMMUNITY AND FAMILY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

	<b>2018</b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 210,395
Grants receivable	303,391
Inventory	28,703
Real property held for sale	222,886
Total current assets	765,375
 <b>FIXED ASSETS (Net of accumulated depreciation)</b>	 1,046,335
Total assets	\$ 1,811,710

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 182,721
Accrued salaries and taxes	134,513
Accrued vacation	136,669
Other accrued expenses	859
Current portion of long-term debt	82,491
Total current liabilities	537,253
 <b>LONG-TERM DEBT:</b>	
Notes Payable less current portion	805,447
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 469,010
Total liabilities and unrestricted net assets	\$ 1,811,710

See accompanying notes to financial statements.

**COMMUNITY AND FAMILY SERVICES, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>
<b>REVENUE AND OTHER SUPPORT</b>	
Federal contract revenue	\$ 7,911,004
Other grant revenue	97,956
Contributions	271,905
Interest income	26
Project income	511,548
Rental income	82,885
Gain (loss) on disposal of fixed assets	48,460
Miscellaneous income	838
In-kind revenue	376,470
Total revenue and other support	9,301,092
<b>EXPENSES</b>	
Head Start	2,550,894
Energy Assistance	2,051,482
Women, Infants and Children	563,758
Weatherization	683,480
Section 8 Housing	911,560
Community Services Block Grant	308,888
Other Programs	1,724,137
Management and general	641,089
Total expenses	9,435,288
<b>NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	(134,196)
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR</b>	401,686
<b>PRIOR YEAR ADJUSTMENT</b>	201,520
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR - RESTATED</b>	603,206
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	\$ 469,010

See accompanying notes to financial statements.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>EXPENSES</b>	Head Start	Energy Assistance	Women, Infants and Children	Weatherization	Section 8 Housing	Community Services Block Grant	Other Programs	Total Services	Management and General	2018 Totals
Salaries	\$ 1,317,697	\$ 119,571	\$ 378,107	\$ 230,613	\$ 35,243	\$ 171,209	\$ 720,982	\$ 2,973,422	\$ 451,483	\$ 3,424,905
Payroll taxes	106,412	9,829	31,945	18,750	2,818	13,644	53,944	237,342	37,047	274,389
Payroll benefits	243,718	23,314	78,648	41,463	10,038	24,499	118,318	539,998	82,215	622,213
Printing and postage	7,053	6,903	2,683	815	2,063	1,872	1,558	22,947	955	23,902
Advertising	300	-	-	-	-	-	(1,911)	(1,611)	-	(1,611)
Rent	64,990	-	14,447	-	-	10,909	15,308	105,654	5,327	110,981
Utilities	53,368	11,988	15,890	7,759	1,442	19,507	65,874	175,828	336	176,164
Dues and subscriptions	13,244	73	-	-	16	7,516	8,584	29,433	802	30,235
Transportation costs	348	244	260	19,224	-	4,009	17,548	41,633	-	41,633
Travel and training	52,185	869	11,265	10,046	5,553	2,666	2,430	85,014	5,810	90,824
Program expenses	186,893	1,860,153	-	-	851,962	7,047	141,077	3,047,132	-	3,047,132
Professional and legal fees	11,382	-	-	-	-	2,977	400	14,759	10,236	24,995
Contracted services	8,719	10,021	193	209,785	-	148	97,172	326,038	500	326,538
In-kind expense	348,625	-	-	-	-	-	84,609	433,234	-	433,234
Insurance	32,761	-	747	-	-	8,495	120	42,123	29,533	71,656
Supplies	23,682	3,118	21,091	66,447	2,341	9,583	168,344	294,606	400	295,006
Office expense	10,517	-	-	72	-	3,618	6,480	20,687	6,489	27,176
Taxes and fees	-	-	-	-	-	-	23,231	23,231	-	23,231
Equipment leases	8,358	1,592	-	432	35	5,596	23,314	39,327	368	39,695
Equipment and maintenance	2,328	108	-	39,360	4	316	20	42,136	48	42,184
Building and grounds maintenance	41,457	907	2,788	1,128	45	8,094	43,650	98,069	319	98,388
Miscellaneous expenses	-	661	-	19,881	-	80	83,229	103,851	-	103,851
Depreciation expense	16,857	2,131	5,694	17,705	-	7,103	49,856	99,346	9,221	108,567
<b>Total operating expenses</b>	<b>\$ 2,550,894</b>	<b>\$ 2,051,482</b>	<b>\$ 563,758</b>	<b>\$ 683,480</b>	<b>\$ 911,560</b>	<b>\$ 308,888</b>	<b>\$ 1,724,137</b>	<b>\$ 8,794,199</b>	<b>\$ 641,089</b>	<b>\$ 9,435,288</b>

See accompanying notes to financial statements.

**COMMUNITY AND FAMILY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (134,196)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	108,567
Loss (gain) on disposal of assets	(46,960)
	(120,000)
Increase (decrease) in cash from changes in:	
Grants receivable	185,826
Prepaid expenses	8,841
Inventory	(3,204)
Accounts payable	92,757
Accrued salaries and taxes	(2,171)
Accrued vacation	33,175
Other accrued expenses	(127)
	122,508
Net cash provided by (used in) operating activities	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from notes payable	42,634
Net proceeds from line of credit	
Payments on long-term debt	(99,027)
	(56,393)
Net cash provided by (used in) financing activities	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sale of property and equipment	61,052
Purchase of property and equipment	(53,950)
	7,102
Net cash provided by (used in) investing activities	
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>73,217</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>137,178</b>
	<b>210,395</b>
<b>CASH, END OF YEAR</b>	<b>\$ 210,395</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>	
Cash paid during the year for interest	<b>\$ 48,127</b>
	<b>48,127</b>

See accompanying notes to financial statements.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

Community and Family Services, Inc. (the “Organization”), a Community Action Agency, was established on December 29, 1965, as an Indiana not-for-profit corporation to serve the residents of Northeastern Indiana. The Organization is governed by a volunteer board of directors composed of representatives of the low-income community, representatives of local organizations, and County Commissioners or their representatives from each county. Advisory and policy councils serve to guide the various programs administered by the Organization. The primary goal of Community and Family Services, Inc. is to combat physical, economic, and social causes of poverty and the deterioration of residential and commercial real estate, lessen the burdens of government and improve community economic conditions. The Organization develops and provides opportunities for employment and employment education to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered by the Organization provide opportunities for almost all age groups, particularly those who are low-income and meet program guidelines.

The services of the Organization are extended to the economically disadvantaged in the counties of Adams, Blackford, Huntington, Jay, Randolph and Wells through offices located in the various counties. The headquarters of the Organization is located in Portland, Indiana.

**BASIS OF ACCOUNTING**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Those tax positions include the Organization maintaining their tax-exempt status and the taxability of any unrelated business income. With few exceptions, the Organization is generally no longer subject to examination by taxing authorities for years before December 31, 2015.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Community and Family Services, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

*Net assets without donor restrictions* represent the portion of net assets of Community and Family Services, Inc. that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Organization. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

*Net assets with donor restrictions* represent contributions and other inflows of assets whose use by Community and Family Services, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Community and Family Services, Inc. pursuant to those stipulations, or net assets that must be held in perpetuity.

*Net assets with donor restrictions* also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on net assets with donor restrictions that are held in perpetuity, which have not been appropriated by the Board of Directors.

For the year ended, December 31, 2018, the Organization did not have net assets with donor restrictions.

**REVENUE RECOGNITION**

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**REVENUE RECOGNITION (continued)**

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities.

**CONTRIBUTED SERVICES**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

**GRANTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The grants receivable represent amounts the agency has filed claims for the year end and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no allowance is considered necessary.

**INVENTORIES**

Inventories, which consist primarily of supplies to be used for programs, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

**PROPERTY HELD FOR SALE**

The Organization purchased two properties in 2015 to rehabilitate and sell. Rehabilitated property is carried at the original purchase price or fair market value at the date of donation, plus the cost of rehabilitation. The Organization will recognize loss when it is determined that the fair value of the property is less than the carrying value.

**PROPERTY AND EQUIPMENT**

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of five to twenty years. The following is a summary of the lives for each class of asset:

Buildings	20 Years
Building Components	20 Years
Building Improvements	20 Years
Vehicles and equipment	5-10 Years

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPERTY AND EQUIPMENT (continued)**

For the year ended December 31, 2018, depreciation expense totaled \$108,567.

**ACCOUNTING FOR IMPAIRMENT**

*Accounting for the Impairment or Disposal of Long-Lived Assets* guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

**USE OF ESTIMATES**

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**EXPENSE ALLOCATION**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Asset and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**COST ALLOCATION**

The Organization allocates costs to benefiting programs using various allocation methods, depending on the type of cost being allocated. Allocated costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

*Personnel:* Agency personnel with multiple program duties (Executive Director, Fiscal Officer, financial assistants, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charged to programs.

*Supplies:* All supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis.

*Occupancy Costs:* Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated based upon the allocation of the administrative staff's time.

*Copy Costs:* A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

*Insurance:* Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

*Other Joint Costs:* Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based upon usage by each program.

**SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 19, 2020, which is the date the financial statements were available to be issued.

Due to the spread of the Novel Coronavirus (COVID-19), the Organization applied and received a \$250,000 loan from the Paycheck Protection Program through the Small Business Administration dated April 30, 2020. The promissory note establishes a 1% interest rate and matures in 2022. Under the terms of the note, it is expected that 75% of this loan will qualify for forgiveness based on the terms of the program.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**SUBSEQUENT EVENTS (continued)**

In May 2020, Joe on the Go was closed with the limitations of COVID-19. In addition, the Organization sold the Decatur Strip Mall, but the sales proceeds were less than the outstanding debt. A \$187,745 lien was attached to the Engle Street property.

**RECENT ACCOUNTING PRONOUNCEMENTS**

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods for years beginning after December 15, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on the financial statements.

Revenue Recognition from Contract with Customers

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2020, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2018:

		<u>2018</u>
Land	\$	103,352
Buildings and components		1,568,375
Vehicles and equipment		<u>483,566</u>
		2,155,293
Less: accumulated depreciation		<u>(1,108,958)</u>
	\$	<u><u>1,046,335</u></u>

**NOTE 3 – DEBT**

In 2014 a note was refinanced through Citizens State Bank of New Castle with a new principal amount of \$340,000 payable in monthly installments of \$3,445, including principal and interest. The note is secured by real estate, has an interest rate of 4.00% and matures on May 5, 2024. The loan balance as of December 31, 2018 was \$312,155.

During 2014 the Organization obtained an \$80,000 demand note loan from Citizens State Bank of New Castle dated December 19, 2014. The interest rate is 6% and matured December 19, 2015. The loan was refinanced in January 2016 with an amortization of 20 years, monthly payment of \$554, and interest rate of 5.5%. The note is secured by real estate. The loan balance as of December 31, 2018 was \$73,099.

During 2016 the Organization obtained a \$30,265 business loan from The Farmers State Bank dated February 17, 2016. The note is collateralized by the trailer and mortgage on Huntington property. The interest rate is 6.5% and matures February 17, 2020. The monthly payments are \$718 and consist of principal and interest. The loan balance as of December 31, 2018 was \$9,651.

During 2016 the Organization obtained a \$415,000 business loan from The Farmers State Bank dated February 11, 2016. The interest rate is 5.0% and matures February 11, 2026. The monthly payments are \$4,402 and costs of principal and interest. The note was refinanced to \$403,000 in December 2017 with an interest rate of 5.75% and matures December 2037. The loan balances as of December 31, 2018 was \$391,922.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 – DEBT (continued)**

The Organization refinanced a \$100,620 demand note loan from Citizens State Bank of New Castle in 2017. The note is collateralized by various vehicles. The interest rate is 7% and matures August 2022. Monthly payment is \$1,997. The loan balance as of December 31, 2018 was \$77,169.

In March 2017 the Organization obtained a \$35,000 promissory note with Citizens State Bank of New Castle to finance coffee shop equipment. The note is collateralized by various vehicles. Monthly payments are \$678 and bear and interest rate of 5%. The loan matures March 2022. The loan balance as of December 31, 2018 was \$23,942.

The future maturities of long-term debt are as follows for the years ended December 31:

<u>Year</u>	<u>Amount</u>
2019	\$ 82,491
2020	79,700
2021	82,609
2022	72,862
2023	56,108
Thereafter	514,168
	\$ 887,938

**NOTE 4 – RETIREMENT PLAN**

Community and Family Services, Inc. maintains a Section 401(k) Salary Deferral Plan for their employees, age 21 and older, who work 1,000 hours or more a year. Employees can generally defer a portion of their gross salary into the plan. The employer did not make any contributions for the year ended December 31, 2018.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at three financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2018. At times throughout the year, the balance in these accounts may exceed these limits. The cash balances at December 31, 2018 were fully insured.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 – LEASE COMMITMENTS**

Community and Family Services, Inc. has several operating leases for office space and equipment. The payments under these leases range from \$84 to \$1,083 per month and expire at various times. The rent expense amounted to \$112,763 for the year ended December 31, 2018, respectively.

Future minimum lease payments at December 31, 2018 under non-cancelable operating leases with initial terms of more than one year are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 33,659
2020	506
2021	1
2022	1
2023	1
Thereafter	18
	<u>\$ 34,186</u>

**NOTE 7 – INFORMATION ON LIQUIDITY**

Community and Family Services, Inc. has \$513,786 of available financial assets as of December 31, 2018, respectively. Certain financial assets are subject to donor or other external contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

The following represents financial assets available for cash needs for general expenditures within one year:

	<u>2018</u>
Cash	\$ 210,395
Receivables	<u>303,391</u>
Total financial assets	<u>513,786</u>
Financial assets available for cash needs for general expenditures within one year	<u>\$ 513,786</u>

**NOTE 8 – PRIOR PERIOD ADJUSTMENT**

Net assets were adjusted as of January 1, 2018 to reflect grant receivables not recorded as of December 31, 2017 for 2017 accrued expenses reimbursed in 2018.

**SINGLE AUDIT SECTION**

**COMMUNITY AND FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>FEDERAL GRANTOR AGENCY Pass-Through Agency Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Grant Award (dollars \$)</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>				
Passed through the Indiana State Department of Health:				
Women Infants and Children	10.557	182IN002W1003/182IN012W5003	731,452	\$ 537,308
Women Infants and Children	10.557	192IN002W1003/192IN012W5003	738,304	167,979
Passed through the Indiana Department of Education:				
Child and Adult Care Food Program	10.558	1380057	n/a	193,479
				<u>898,766</u>
<b>U.S. Department of Housing and Urban Development</b>				
Passed through the Indiana Housing & Community Development Authority:				
Section 8 Housing Choice Vouchers	14.871	HCV-017-07	n/a	953,957
Emergency Shelter Grant	14.231	ES-018-011	44,159	10,363
Emergency Shelter Grant	14.231	ESRRHP-018-011	56,191	27,477
				<u>991,797</u>
<b>U.S. Department of Energy</b>				
Passed through the Indiana Housing & Community Development Authority:				
Weatherization Assistance for Low-income Persons	81.042	WX-017-004	234,170	109,691
Weatherization Assistance for Low-income Persons	81.042	WX-018-004	328,844	155,097
				<u>264,788</u>
<b>U.S. Department of Health and Human Services</b>				
Direct Program:				
Head Start	93.600	05CH010238	2,317,239	1,994,484
Head Start	93.600	05CH010238	2,376,704	320,355
				<u>2,314,839</u>
Passed through the Indiana Housing & Community Development Authority:				
Low-income Home Energy Assistance	93.568	LI-018-004	1,653,288	1,536,555
Low-income Home Energy Assistance	93.568	LI-019-004	1,819,939	565,203
Low-income Home Energy Assistance	93.568	WL-018-004	492,750	413,333
Low-income Home Energy Assistance	93.568	WL-019-004	340,066	67,104
Individual Development Accounts	93.602	IDA-013-FT-019	42,750	3,589
Individual Development Accounts	93.602	IDA-014FT-019	11,875	448
Community Services Block Grant	93.569	CS-017-004	411,980	13,673
Community Services Block Grant	93.569	CS-018-004	345,943	317,024
				<u>2,916,929</u>
<b>U.S. Department of Labor</b>				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	IN344-17	361,418	229,954
Senior Community Service Employment Program	17.235	IN344-18	481,986	230,200
				<u>460,154</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 7,847,273</u>

See notes to Schedule of Expenditures of Federal Awards

**COMMUNITY AND FAMILY SERVICES, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community and Family Services, Inc. and 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 – Energy Assistance Payments**

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,846,154 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2018.

**Note 4 – Indirect Cost Rate**

Community and Family Services, Inc. has elected not to use the 10% indirect cost rate allowed under Uniform Guidance.

**COMMUNITY AND FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>GRANTOR AGENCY</b>	<b>Grant or</b>	<b>State and</b>
<b>Pass-Through Agency</b>	<b>Identifying</b>	<b>Local</b>
<b>Program Title</b>	<b>Number</b>	<b>Expenditures</b>
Passed through the Indiana Housing & Community Development Authority:		
Low-income Home Energy Assistance	IR-018-004	\$ 8,301
Low-income Home Energy Assistance	IR-019-004	2,049
Low-income Home Energy Assistance	WS-018-004	77,282
Individual Development Accounts	IDA-018-019	<u>117</u>
<b>Total Expenditures of State and Local Awards</b>		<u><u>\$ 87,749</u></u>

**COMMUNITY AND FAMILY SERVICES, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended December 31, 2017.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings for the year ended December 31, 2017.



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**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  
Community and Family Services, Inc.

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 Community and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and 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 October 19, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community and Family Services, 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 Community and Family Services, Inc.'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 organization'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 and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2018-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community and Family Services, Inc.'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.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

October 19, 2020



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**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  
Community and Family Services, Inc.

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

We have audited Community and Family 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 Community and Family Services, Inc.'s major federal programs for the year ended December 31, 2018. Community and Family 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 laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Community and Family 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* (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 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 Community and Family 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 Community and Family Services, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Community and Family 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 Community and Family 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 Community and Family 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 Community and Family 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
October 19, 2020



**COMMUNITY AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section II – Financial Statement Findings**

**FS-2018-001: Material weakness over internal controls**

*Condition:* The Organization was a victim of misappropriation of assets by a now former employee. The fraud occurred through payroll advances and disbursements for work that was not performed by a vendor. After thorough review, management determined that none of the fraudulent transactions were charged to any grants. The dismissal of this employee led to months of turnover in the position and a breakdown in financial reporting.

*Criteria:* Internal controls should be in place that permit the preparation of reliable financial statements.

*Cause:* Vacancies and turnover in a key financial position resulted in unreconciled accounts and inaccuracies in the financial records.

*Effect:* The Organization hired a third party to reconcile accounts and correct the accounting records. With staff turnover, this process took longer than expected and resulted in financial reporting to funding sources exceed deadlines.

*Recommendation:* Management filled the vacant financial position. The Organization needs to ensure adequate training is provided to accounting staff for the accounting software and monitor internal controls closely.

*Views of Responsible Officials and Planned Corrective Actions:*

Management accepts this finding. The Organization will provide more structured training and oversight for all financial staff to remedy any finance department deficiencies.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the year ended December 31, 2018.