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June 10, 2021

Board of Directors  
Child and Parent Services, Inc.  
1000 W. Hively Avenue  
Elkhart, IN 46517

We have reviewed the audit report of Child and Parent Services, Inc., which was opined upon by Kruggel, Lawton & Company LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Child and Parent Services, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Kruggel, Lawton & Company LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

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

Paul D. Joyce, CPA  
State Examiner



**ANNUAL REPORT**  
December 31, 2019

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## ANNUAL REPORT

December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Child and Parent Services, Inc.  
Elkhart, Indiana

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

We have audited the accompanying financial statements of Child and Parent Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child and Parent Services, Inc. as of December 31, 2019 and 2018, 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.

## Other Matters

### *Other Information*

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of Child and Parent Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child and Parent Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child and Parent Services, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
December 28, 2020

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**CHILD AND PARENT SERVICES, INC.**

Elkhart, Indiana

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**STATEMENTS OF FINANCIAL POSITION**

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	547,313	624,564
Investments - other	101,183	0
Accounts receivable, net	70,815	43,032
Pledges receivable, net	180,581	361,385
Grants receivable	218,484	316,943
Contributions receivable, net	213,397	35,219
Prepaid expenses	32,567	25,409
<b>Total Current Assets</b>	<b>1,364,340</b>	<b>1,406,552</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land and land improvements	762,747	762,747
Building and building improvements	4,538,210	4,538,210
Furniture and equipment	332,085	332,085
Software and technology	252,787	217,538
<b>Total</b>	<b>5,885,829</b>	<b>5,850,580</b>
Accumulated depreciation	(741,501)	(457,737)
<b>Net Property and Equipment</b>	<b>5,144,328</b>	<b>5,392,843</b>
<b>LONG-TERM ASSETS</b>		
Pledges receivable, net	51,368	135,730
Investments	3,079,164	2,747,552
Investments - other	0	101,183
Beneficial interest in assets held by Community Foundation ("CF")	138,146	126,337
<b>Total Long-term Assets</b>	<b>3,268,678</b>	<b>3,110,802</b>
<b>TOTAL ASSETS</b>	<b>9,777,346</b>	<b>9,910,197</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CHILD AND PARENT SERVICES, INC.**

Elkhart, Indiana

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**STATEMENTS OF FINANCIAL POSITION**

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	100,000	0
Accounts payable	58,188	41,435
Accrued liabilities	114,130	183,309
Deferred revenue	0	90,000
<b>Total Current Liabilities</b>	<b>272,318</b>	<b>314,744</b>
<b>TOTAL LIABILITIES</b>	<b>272,318</b>	<b>314,744</b>
<b>NET ASSETS</b>		
Without donor restrictions	8,302,192	8,380,315
With donor restrictions	1,202,836	1,215,138
<b>TOTAL NET ASSETS</b>	<b>9,505,028</b>	<b>9,595,453</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>9,777,346</b>	<b>9,910,197</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CHILD AND PARENT SERVICES, INC.**Elkhart, Indiana

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**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions and memorials	463,668	639	464,307
Federal grants	1,511,887	0	1,511,887
Other grants	988,997	0	988,997
Service fees and other income	441,334	0	441,334
Change in beneficial interest in assets held by CF	11,809	0	11,809
Investment income, net	256,855	131,130	387,985
Fundraising event revenue	373,134	0	373,134
Less: costs of direct benefits to donors	<u>(19,020)</u>	<u>0</u>	<u>(19,020)</u>
Net revenues from fundraising events	354,114	0	354,114
<b>Total Revenue</b>	<b>4,028,664</b>	<b>131,769</b>	<b>4,160,433</b>
Net assets released from restrictions:			
Satisfaction of restrictions	144,071	(144,071)	0
<b>FUNCTIONAL EXPENSES</b>			
Program			
Outreach	52,840	0	52,840
Building Blocks Preschool	220,005	0	220,005
Community Education	227,354	0	227,354
Parent Aide	499,990	0	499,990
Healthy Families	1,333,209	0	1,333,209
Court Appointed Special Advocate	351,595	0	351,595
Guardian ad Litem	138,922	0	138,922
Child and Family Advocacy Center	239,075	0	239,075
Supervised Visits	142,358	0	142,358
Positive Parenting Program	76,100	0	76,100
Total program	3,281,448	0	3,281,448
Supporting Services:			
Fundraising	336,179	0	336,179
General and administrative	633,231	0	633,231
<b>Total Functional Expenses</b>	<b>4,250,858</b>	<b>0</b>	<b>4,250,858</b>
<b>CHANGE IN NET ASSETS</b>	<b>(78,123)</b>	<b>(12,302)</b>	<b>(90,425)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>8,380,315</b>	<b>1,215,138</b>	<b>9,595,453</b>
<b>NET ASSETS, END OF YEAR</b>	<b>8,302,192</b>	<b>1,202,836</b>	<b>9,505,028</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CHILD AND PARENT SERVICES, INC.**Elkhart, Indiana

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**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2018

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

*The Notes to Financial Statements are an integral part of this statement.*

# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program										Supporting Services		Total
	Outreach	Building Blocks Preschool	Community Education	Parent Aide	Healthy Families	Court Appointed Special Advocate	Guardian ad Litem	Child and Family Advocacy Center	Supervised Visits	Positive Parenting Program	Fundraising	General and Admin	
Salaries	25,072	132,692	113,098	334,696	880,550	222,229	86,616	149,269	100,903	56,175	126,831	409,989	2,638,120
Employee benefits	1,112	10,256	8,154	28,606	70,005	32,152	7,182	12,971	7,120	8,167	18,442	23,460	227,627
Payroll taxes	1,877	9,643	8,287	24,911	64,618	15,559	6,159	10,819	7,620	3,726	9,468	31,015	193,702
Professional fees	0	0	0	0	3,358	0	0	0	0	0	810	34,541	38,709
Food supplies	4	3,505	1,266	109	1,177	906	9	191	12	331	275	1,116	8,901
Supplies	5,065	1,971	16,626	9,794	39,716	3,281	1,140	7,009	1,879	1,037	2,059	6,909	96,486
Telephone	94	2,353	435	9,282	22,491	4,626	1,196	1,303	1,585	280	307	999	44,951
Postage	1,014	64	203	276	655	167	2,471	82	70	30	1,189	791	7,012
Utilities	308	6,635	5,233	6,796	6,738	2,642	352	3,966	1,671	142	2,218	5,920	42,621
Building maintenance	309	6,204	4,495	6,617	8,738	2,667	477	3,789	1,478	238	2,093	5,780	42,885
Printing	6,184	296	323	494	797	548	350	203	136	592	4,556	1,417	15,896
Local transportation	8	1,542	4,014	16,935	37,269	17,703	3,325	686	161	672	852	1,079	84,246
Staff development	50	451	16,141	11,605	30,337	2,974	107	10,643	1,768	65	4,240	9,990	88,371
Subscriptions & memberships	1,171	180	75	1,176	8,047	352	408	792	497	17	2,623	2,388	17,726
Insurance	573	1,826	2,473	6,554	17,492	4,063	1,429	1,842	1,799	654	1,896	8,168	48,769
Meetings	106	56	255	231	429	641	119	497	5	38	1,024	2,110	5,511
Marketing	5,123	103	112	812	1,653	10,190	31	92	40	1,111	5,779	9,382	34,428
Bank service charges	402	1,853	2,258	3,592	10,487	2,312	742	1,269	1,013	410	1,364	17,689	43,391
Rent	0	0	0	11,580	11,580	0	0	0	0	0	0	0	23,160
Equipment support & repair	1,379	2,046	3,246	10,854	20,895	4,115	1,635	6,156	1,504	518	4,340	15,681	72,369
Contract labor	0	0	0	0	25,531	0	0	1,263	0	0	0	0	26,794
Bad debts	0	0	6,950	0	861	2,290	20,570	0	0	0	41,929	0	72,600
Property tax	0	0	0	0	0	0	0	0	0	0	0	401	401
Depreciation	2,821	38,317	33,677	13,002	68,524	20,868	4,604	26,233	13,097	1,872	16,934	43,815	283,764
Lobbying	148	0	0	0	0	0	0	0	0	0	0	0	148
Other	20	12	33	2,053	1,261	1,310	0	0	0	25	3	591	5,308
Event expense	0	0	0	15	0	0	0	0	0	0	105,967	0	105,982
<b>Total Expenses</b>	<b>52,840</b>	<b>220,005</b>	<b>227,354</b>	<b>499,990</b>	<b>1,333,209</b>	<b>351,595</b>	<b>138,922</b>	<b>239,075</b>	<b>142,358</b>	<b>76,100</b>	<b>355,199</b>	<b>633,231</b>	<b>4,269,878</b>
Less direct donor benefits netted in revenues	0	0	0	0	0	0	0	0	0	0	(19,020)	0	(19,020)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>52,840</b>	<b>220,005</b>	<b>227,354</b>	<b>499,990</b>	<b>1,333,209</b>	<b>351,595</b>	<b>138,922</b>	<b>239,075</b>	<b>142,358</b>	<b>76,100</b>	<b>336,179</b>	<b>633,231</b>	<b>4,250,858</b>

*The Notes to Financial Statements are an integral part of this statement.*

# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

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

*The Notes to Financial Statements are an integral part of this statement.*

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**CHILD AND PARENT SERVICES, INC.**Elkhart, Indiana

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**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Change in net assets	(90,425)	847,035
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	283,764	278,148
Realized investment gains	(561,616)	(11,775)
Unrealized investment losses	218,528	71,906
Change in beneficial interest	(11,809)	15,369
Provision for bad debts	56,090	(15,691)
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	(48,353)	21,742
Pledges receivable	240,546	375,666
Grants receivable	98,459	(38,032)
Contributions receivable	(189,078)	(35,219)
Prepaid expenses	(7,158)	8,754
Investments - other	0	(1,183)
Accounts payable	16,753	(97,079)
Accrued liabilities	(69,179)	(14,354)
Deferred revenue	(90,000)	90,000
<b>Net Cash Flows From (Used In) Operating Activities</b>	<b>(153,478)</b>	<b>1,495,287</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(35,249)	(58,969)
Purchase of investments	(2,709,080)	(1,301,154)
Proceeds from sale of investments	2,720,556	392,386
<b>Net Cash Flows Used In Investing Activities</b>	<b>(23,773)</b>	<b>(967,737)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Net change in line of credit	100,000	(450,000)
<b>Net Cash Flows From (Used In) Financing Activities</b>	<b>100,000</b>	<b>(450,000)</b>
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(77,251)</b>	<b>77,550</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>624,564</b>	<b>547,014</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR</b>	<b>547,313</b>	<b>624,564</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOWS</b>		
Interest paid	1,488	4,172

*The Notes to Financial Statements are an integral part of this statement.*

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NATURE OF BUSINESS

Child And Parent Services, Inc. (the "Organization") is an Indiana nonprofit corporation that offers programs to prevent child abuse and provide early intervention with at-risk children and families. Its operations are supported primarily by government grants and contracts, fees for service, community support, and special events. Information about certain programs of the Organization follows:

- *Building Blocks Preschool* program is for kindergarten aged children that do not thrive in traditional classrooms. The safe, consistent, and structured environment fosters growth in emotional, social and behavioral learning and prepares the child for success in school. The program requires intense parental involvement including home visitation services.
- *Community Education* includes programs in a variety of settings and formats. It includes a series of classes at the Joy Rose Center and in the community.
- *Parent Aide* program is a home visitation program which serves families with children of all ages who are experiencing crisis.
- *Healthy Families* exists to help parents of newborn infants by offering support and information about child development and what to expect as a new parent. Healthy Families Support Specialists visit homes on a regular basis to provide new parents with information, encouragement, and support.
- *Court Appointed Special Advocate* ("CASA") volunteers spend time weekly to advocate for children in the court system. A judge appoints CASA volunteers to abuse or neglect cases to represent the child's best interest. They provide the judge with objective information and recommendations.
- *Guardian ad Litem* ("GAL") was established in 2004 at the request of the Superior Court. The judges wanted similar quality services to the CASA program in the juvenile courts. GAL works on custody and paternity cases exclusively in the superior court. GAL staff are a legal party representing the children through relationship building, information gathering, attendance at meetings, and court proceedings. GAL monitors parent and guardian compliance with court orders.
- *Child and Family Advocacy Center* ("CFAC") is a resource to families and the agencies which investigate and intervene in child abuse cases in Elkhart County. CFAC provides a kid-friendly environment, forensic interviews for children, advocacy and support for family members, and other programs focused on assisting child victims and their families.
- *Supervised Visits* provides an opportunity for children to enjoy a safe, neutral visit with a non-custodial parent. A judge may order that visits be supervised if more information is needed about the relationship between the parent and child or if there are safety concerns. The program offers each family a private, home-like space for visiting. The environment is safe and secure.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

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

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

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

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

#### FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit. There was \$639 and \$19,680 of restricted cash on hand at December 31, 2019 and 2018, respectively.

#### ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and is presented net of allowance for doubtful accounts, which is estimated to be \$25,430 and \$4,860 at December 31, 2019 and 2018, respectively. The Organization's accounts receivable consist primarily of amounts due from service fees. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible. Interest may be charged on past due accounts.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### PLEDGES RECEIVABLE

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met.

### GRANTS RECEIVABLE

Support received under governmental grants is recorded based on expenses incurred or based on a fix rate. Grants receivable represent amounts due for expenses incurred or units serviced prior to year end, and are considered fully collectible by management. The Organization uses the allowance method to determine uncollectible grants receivable. Management has determined no allowance for doubtful accounts is necessary for grants receivable at December 31, 2019 or 2018.

### CONTRIBUTIONS RECEIVABLE

Contributions receivable represent amounts due from fundraising event commitments or amounts received in the first week subsequent to year-end attributable to the calendar year results, pursuant to the Organization's year-end giving cut-off policy. The Organization uses the allowance method to determine uncollectible Contributions receivable. Management has estimated the allowance for doubtful accounts for Other receivables to be \$10,900 and \$0 at December 31, 2019 and 2018, respectively

### INVESTMENTS - OTHER

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

### PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Purchased property and equipment over a capitalization threshold of \$5,000 with lives of at least one year are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$283,764 and \$278,148 for the years ended December 31, 2019 and 2018, respectively. The Organization had \$0 and \$1,162 of construction in progress which was not depreciated as of December 31, 2019 and 2018, respectively, included in Software and technology on the Statements of Financial Position.

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

Land improvements	15- 20 years
Building and building improvements	20 - 30 years
Furniture and equipment	3 - 15 years
Software and technology	3 - 10 years

### BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Organization records periodic distributions and realizes changes in the market value of its beneficial interest as Change in beneficial interest in assets held by CF in the Statements of Activities.

### DEFERRED REVENUE

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

### CONTRIBUTIONS

Contributions, including promises to give, are recorded when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made. All contributions are considered to be available for current use unless specifically restricted by the donor.

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

### CONTRIBUTED MATERIALS AND SERVICES

In order to recognize donated services as contributions in the Organization's financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization has a number of unpaid volunteers that have made significant contributions of their time to the Organization's various programs. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Contributions of in-kind items used in the Organization's programs are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses.

### GRANTS

Revenue from fee-for-service awards are recognized when eligible services are rendered under the terms of the awards. Revenue from cost-reimbursement awards are recognized when costs allowable under the terms of the awards are incurred. Advances received in excess of eligible services or allowable costs are reported as liabilities.

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based upon personnel time and space utilized for the related activities.

Expenses that are allocated include the following:

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

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

### INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. ASC 740 requires an entity to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2016 through 2018 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued Accounting Standards Update 2016-18, *Restricted Cash (Topic 230)* (“ASU 2016-18”), which addresses classification and presentation of changes in restricted cash on the Statements of Cash Flows. ASU 2016-18 requires an entity’s reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. It is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 for all other entities. The Organization adopted ASU 2016-18 for the fiscal year ended December 31, 2019 using a retrospective transition method for each period presented.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard was intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. ASU 2018-08 is effective for resource recipients for annual periods beginning after December 15, 2018. The Organization adopted ASU 2018-08 for the fiscal year ended December 31, 2019. The adoption of this ASU did not result in any material changes in the accounting for contributions received.

### RECENT ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

### RECLASSIFICATIONS

Certain items in the 2018 financial statements have been reclassified to conform with the 2019 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization has working capital of \$1,092,022 and \$1,091,808 and average days cash on hand of 50 and 59 as of December 31, 2019 and 2018, respectively.

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	546,674	404,884
Investments - other	101,183	0
Accounts receivable, net	70,815	43,032
Pledges receivable, net	88,336	265,075
Grants receivable	218,484	257,938
Other receivables, net	213,397	35,219
Assets limited to use:		
Donor restricted	92,884	139,776
<b>Total financial assets available for general expenditures within 1 year:</b>	<b>1,331,773</b>	<b>1,145,924</b>

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. Not included in the 2018 analysis above are Investments - other (certificate of deposit) with a maturity date greater than one year. However, the Organization had the ability to access this deposit account, if necessary. As discussed in Note 9, the Organization has other board designated assets that are excluded from the quantitative information above. However, board designated assets could be made available, if necessary. Additionally, amounts from donor restricted endowments are appropriated for expenditure each year.

The Organization also maintains a \$750,000 line of credit as described in Note 6.

### NOTE 3 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

#### Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

The Organization holds alternative investments through its normal investment account. The Gateway fund invests in a broadly diversified portfolio of common stocks, while also selling index call options and purchasing index put options. The Arbitrage fund invests at least 80% of its net assets in equity securities of both U.S. and foreign companies involved in publicly announced mergers, takeovers, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations. Both of these funds are listed on Nasdaq. The Vanguard Real Estate ETF fund invests in stocks issued by real estate investment trusts (REITs), companies that purchase office buildings, hotels, and other real property and is listed on the New York Stock Exchange.

The Organization utilized the market approach to approximate its value of Level 3 investments held by the Community Foundation. Given a pool of assets whose total is known, the Organization can approximate its share of the total pooled investment using rates of return applied to known contribution amounts. The Organization used fund statements provided by the Community Foundation that include detail of contributions and withdrawals to adjust the fair value of its assets. The Organization is familiar with the Community Foundation and its investment base which includes a variety of investments including domestic (small and large cap) and global equities, fixed income securities, hedge funds, and other investments. The investments are classified as Level 3 since the fund agreement provides for the irrevocable transfer of assets to the Community Foundation.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	185,700	185,700	0	0
Common stocks	1,373,442	1,373,442	0	0
Fixed income	1,203,497	1,203,497	0	0
Mutual funds				
Alternative investments				
Options	103,859	103,859	0	0
Merger arbitrage	129,155	129,155	0	0
Real estate investment trusts	83,511	83,511	0	0
Beneficial interest in assets	138,146	0	0	138,146
<b>Total</b>	<b>3,217,310</b>	<b>3,079,164</b>	<b>0</b>	<b>138,146</b>

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	1,255,700	1,255,700	0	0
Common stocks	1,491,852	1,491,852	0	0
Beneficial interest in assets	126,337	0	0	126,337
<b>Total</b>	<b>2,873,889</b>	<b>2,747,552</b>	<b>0</b>	<b>126,337</b>

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Investment income for the the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	67,387	19,735
Realized gains	561,616	11,775
Unrealized losses	(218,528)	(71,906)
Investment management fees	(22,490)	(41,455)
<b>Total</b>	<b>387,985</b>	<b>(81,851)</b>

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### NOTE 4 - PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN

The Organization engaged in a capital campaign drive, "Building for Kids' Sake", beginning in 2015 to raise funds for the construction of a new operating facility to replace the previously existing facility. The drive solicited pledges to be collected over a multi-year periods. The construction of the new facility was completed in 2017. In addition to the capital campaign, the Organization has unconditional promises to give for its "Vision 2020" campaign for future financial strength.

The Organization has unpaid pledge commitments extending through 2022 related to the campaigns. The pledges are unconditional promises to give and have been discounted to the present value. Pledges receivable are unsecured and due from various donors.

Pledges receivable are due to be collected as follows for the years ending December 31:

2020	216,581
2021	52,500
2022	20,000
<b>Total pledges due</b>	<b>289,081</b>
<b>Less allowance for doubtful pledges</b>	<b>36,000</b>
<b>Pledges receivable before discount</b>	<b>253,081</b>
<b>Less present value discounted based on treasury rates plus a risk rate of 3%</b>	<b>21,132</b>
<b>Pledges receivable, net</b>	<b>231,949</b>

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

	<u>2019</u>	<u>2018</u>
Current	180,581	361,385
Non-current	51,368	135,730
<b>Total</b>	<b>231,949</b>	<b>497,115</b>

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### NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has entered into an agreement with the Community Foundation of Elkhart County, Inc. (the "Community Foundation") in which the Organization has established a fund for the purpose of providing support to the Organization. The Organization expects to receive the income earned on the assets held in perpetuity, but will never receive the assets held in the fund. Distributions from the fund are currently based upon the Community Foundation's spending policy. Annual distributions from the fund are reported in Service fees and other income on the Statements of Activities.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The agreement provides the Community Foundation the power to modify any restrictions or conditions on the distribution of funds to any specified charitable organizations if such restrictions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable need of the area served by the Community Foundation.

The Organization has made total accumulated contributions of \$120,000 to the Community Foundation and designated itself as the beneficiary. The fair value of these assets including appreciation (depreciation) as of December 31, 2019 and 2018 was \$138,146 and \$126,337, respectively.

Additionally, donors will contribute directly to the fund. These contributions are not considered to be assets of the Organization, but the Organization receives its annual distribution, as described above, based on the total value of the fund. The fair values of contributions made directly to the fund including appreciation (depreciation) were \$243,028 and \$216,878 as of December 31, 2019 and 2018, respectively.

The Organization received distributions totaling \$17,290 and \$33,010 during the years ended December 31, 2019 and 2018, respectively.

### NOTE 6 - LINE OF CREDIT

During 2017, the Organization established a \$2,000,000 revolving line of credit with a local bank that matured in April 2020. Interest was charged at 4.39%. The line of credit was secured by capital campaign pledges. Outstanding borrowings were \$100,000 and \$0 at December 31, 2019 and 2018, respectively. In June 2020, the Organization established a \$750,000 line of credit with a local bank that matures in June 2021. Interest expense is charged at one month LIBOR plus 2.25%, with a floor of 3.00%. The line of credit is secured by the Organization's investments. Interest expense on the line of credit included in Bank service charges on the Statements of Functional Expenses was \$1,488 and \$4,172 for the years ended December 31, 2019 and 2018, respectively.

### NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Undesignated	6,151,536	6,269,626
Board designated	2,012,510	1,984,352
Beneficial interest in assets held by CF	138,146	126,337
<b>Total Net Assets Without Donor Restrictions</b>	<b>8,302,192</b>	<b>8,380,315</b>

### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Vision 2020 pledges	135,543	173,253
Triple P Program	0	43,466
Angel fund	639	0
Endowment earnings	443,327	375,092
Endowments invested in perpetuity	623,327	623,327
<b>Total</b>	<b>1,202,836</b>	<b>1,215,138</b>

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 9 - ENDOWMENT

The Organization's endowment fund was established to provide financial support for the Vision Building Healthy Families for Generations project in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the board appropriates amounts for expenditure and any purpose restrictions have been met unless the amounts are earned and expended in the same period, in which case amounts are included in net assets without donor restrictions. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policy of the Organization

### RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES FOR ACHIEVING OBJECTIVES

The Organization has adopted investment and spending policies, approved by the board, for assets that attempt to provide a predictable stream of funding to the Organization while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Assets are invested in target allocation of approximately 75% domestic equities, 15% debt securities, 5% diversified strategies, and 5% cash and cash equivalents. Investment risk is measured in terms of total invested assets; investment assets and allocation between asset classes and strategies are managed to not expose the invested assets to unacceptable levels of risk.

### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization's spending policy limits distributions to 3% of the previous 16-quarter, rolling average of the portfolio's market value. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment fund to grow at an average 7-8% annually.

In establishing this policy, the Organization considered the long-term expected return on its investment assets and the possible effects of inflation. The Organization's objective and goal, over time, is to not have distributions, plus inflation, exceed the rate of return in its endowment fund.

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The following is a summary of endowment net asset composition by type of fund at December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Donor restricted endowment funds	0	1,066,654	1,066,654
Board designated endowment funds	2,012,510	0	2,012,510
Beneficial interest in assets held by CF	138,146	0	138,146
<b>Endowment net assets, end of year</b>	<b>2,150,656</b>	<b>1,066,654</b>	<b>3,217,310</b>

The following is a summary of the changes in endowment net assets for the year ended December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	2,110,689	998,419	3,109,108
Net investment income	297,155	131,130	428,285
Distributions	(21,969)	(62,895)	(84,864)
Release of previous board designation	(235,219)	0	(235,219)
<b>Endowment net assets, end of year</b>	<b>2,150,656</b>	<b>1,066,654</b>	<b>3,217,310</b>

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

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

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

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

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 10 - CONCENTRATIONS

The Organization receives a substantial amount of its support from federal, state and local governments. Any significant reduction in the level of this support could have a significant effect on the Organization's programs. All of the programs and activities of the Organization occur in Elkhart County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area.

### NOTE 11 - LEASE COMMITMENTS

The Organization leases its Goshen office under an operating lease that expires in January 2022. The current agreement calls for monthly rental payments of \$1,154 plus monthly common area maintenance payments presently set at \$633.

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

2020	13,848
2021	13,848
2022	1,154
<u>Total future minimum rental payments</u>	<u>28,850</u>

Total rental expense was \$13,848 for both the years ended December 31, 2019 and 2018.

### NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 28, 2020, the date the financial statements were available to be issued. On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, tenants, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. In April 2020, the Organization was the recipient of a Paycheck Protection Program (PPP) loan made available through the CARES act in the amount of \$600,000. Notification of full forgiveness was obtained in November 2020.

Other than these events and the line of credit agreement described in Note 6, no other events or transactions occurred during this period which require recognition or disclosure in the financial statements.

## SUPPLEMENTARY INFORMATION

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**CHILD AND PARENT SERVICES, INC.**Elkhart, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2019

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity or Grant Identifying Number</b>	<b>Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
<b>Passed-through Indiana Department of Education</b>				
Child and Adult Care Food Program (CACFP)	10.558	1200220	2,412	0
<b>Total Child and Adult Care Food Program (CACFP)</b>			2,412	0
<b>Total U.S. Department of Agriculture</b>			2,412	0
<b>U.S. Department of Justice</b>				
<b>Passed-through Indiana Department of Education</b>				
Crime Victim Assistance	16.575	15VA5442	72,559	0
Crime Victim Assistance	16.575	15VA5439	92,152	0
<b>Total Crime Victim Assistance</b>			164,711	0
Domestic Trafficking Victim Program	16.834	SOUT-IN-3QIAA18	2,475	0
<b>Total Domestic Trafficking Victim Program</b>			2,475	0
<b>Total U.S. Department of Justice</b>			167,186	0
<b>U.S. Department of Health and Human Services</b>				
<b>Passed-through Indiana Department of Child Services</b>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	A93-7-17-HF-MO-3791	664,958	0
<b>Total ACA Maternal, Infant and Early Childhood Home Visiting Program</b>			664,958	0
Temporary Assistance for Needy Families (TANF)	93.558	A93-7-17-HF-MO-3679	677,331	0
<b>Total TANF Cluster: Temporary Assistance for Needy Families</b>			677,331	0
<b>Total U.S. Department of Health and Human Services</b>			1,342,289	0
<b>Total Expenditures of Federal Awards</b>			<b>1,511,887</b>	<b>0</b>

*See the Notes to Schedule of Expenditures of Federal Awards.*

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# CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Child and Parent Services, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.

2) The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ADDITIONAL REQUIRED REPORTS AND  
INFORMATION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Child and Parent Services, Inc.  
Elkhart, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child and Parent Services, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
December 28, 2020



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Child and Parent Services, Inc.  
Elkhart, Indiana

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

We have audited Child and Parent Services, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
December 28, 2020

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**CHILD AND PARENT SERVICES, INC.**

Elkhart, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2019

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.505	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
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Auditee qualified as low-risk auditee?	No
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**CHILD AND PARENT SERVICES, INC.**

Elkhart, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2019

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**Section II - Financial Statement Findings**

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There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

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

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There were no findings related to compliance for each major program or internal control over compliance required by the Uniform Guidance.

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## CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2019

FINDING 2018-001 Material Weakness and Noncompliance - Eligibility - TANF Cluster: Temporary Assistance for Needy Families - CFDA No. 93.558; September 1, 2016 - September 30, 2020 - Year ended December 31, 2018

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

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

*Current Status:* Internal controls were adjusted to increase the effectiveness of the review completed on all client files to ensure compliance.

FINDING 2018-002 Material Weakness and Noncompliance - Activities Allowed - TANF Cluster: Temporary Assistance for Needy Families - CFDA No. 93.558; September 1, 2016 - September 30, 2020 - Year ended December 31, 2018

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

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

*Current Status:* Internal controls were adjusted to increase the effectiveness of the review completed on all client files to ensure compliance.