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August 19, 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, 2020 to December 31, 2020. 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, 2020 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, 2020

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

ANNUAL REPORT

December 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 July 21, 2021, 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
July 21, 2021

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 531,785 | 547,313 |
| Certificate of deposit | 0 | 101,183 |
| Investments | 652,590 | 0 |
| Accounts receivable, net | 12,152 | 70,815 |
| Pledges receivable, net | 124,812 | 180,581 |
| Grants receivable | 427,237 | 218,484 |
| Contributions receivable, net | 32,753 | 213,397 |
| Prepaid expenses | 4,565 | 32,567 |
| Total Current Assets | 1,785,894 | 1,364,340 |
| PROPERTY AND EQUIPMENT | | |
| Land and land improvements | 762,747 | 762,747 |
| Building and building improvements | 4,540,913 | 4,538,210 |
| Furniture and equipment | 318,100 | 332,085 |
| Software and technology | 218,831 | 252,787 |
| Total | 5,840,591 | 5,885,829 |
| Accumulated depreciation | (992,280) | (741,501) |
| Net Property and Equipment | 4,848,311 | 5,144,328 |
| LONG-TERM ASSETS | | |
| Pledges receivable, net | 16,188 | 51,368 |
| Investments | 3,354,842 | 3,079,164 |
| Grants receivable | 150,000 | 0 |
| Beneficial interest in assets held by Community Foundation ("CF") | 160,266 | 138,146 |
| Total Long-Term Assets | 3,681,296 | 3,268,678 |
| TOTAL ASSETS | 10,315,501 | 9,777,346 |

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

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|------------------|
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Line of credit | 0 | 100,000 |
| Accounts payable | 33,368 | 58,188 |
| Accrued liabilities | 109,169 | 114,130 |
| Total Current Liabilities | 142,537 | 272,318 |
| TOTAL LIABILITIES | 142,537 | 272,318 |
| NET ASSETS | | |
| Without donor restrictions | 8,470,237 | 8,302,192 |
| With donor restrictions | 1,702,727 | 1,202,836 |
| TOTAL NET ASSETS | 10,172,964 | 9,505,028 |
| TOTAL LIABILITIES AND NET ASSETS | 10,315,501 | 9,777,346 |

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

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------|
| PUBLIC SUPPORT AND REVENUE | | | |
| Contributions and memorials | 466,519 | 4,048 | 470,567 |
| Federal grants | 1,361,847 | 0 | 1,361,847 |
| Other grants | 949,610 | 428,520 | 1,378,130 |
| Service fees and other income | 804,020 | 0 | 804,020 |
| Change in beneficial interest in assets held by CF | 22,120 | 0 | 22,120 |
| Investment income, net | 232,334 | 125,846 | 358,180 |
| Loss on disposal of assets | (19,650) | 0 | (19,650) |
| | | | |
| Fundraising event revenue | 26,697 | 0 | 26,697 |
| Less: costs of direct benefits to donors | (1,786) | 0 | (1,786) |
| Net revenues from fundraising events | 24,911 | 0 | 24,911 |
| | | | |
| Total Revenue | 3,841,711 | 558,414 | 4,400,125 |
| | | | |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions | 58,523 | (58,523) | 0 |
| | | | |
| FUNCTIONAL EXPENSES | | | |
| Program | | | |
| Community Education | 252,312 | 0 | 252,312 |
| Parent Aide | 522,421 | 0 | 522,421 |
| Healthy Families | 1,281,934 | 0 | 1,281,934 |
| Court Appointed Special Advocate | 283,092 | 0 | 283,092 |
| Guardian ad Litem | 135,947 | 0 | 135,947 |
| Child and Family Advocacy Center | 242,650 | 0 | 242,650 |
| Supervised Visits | 133,783 | 0 | 133,783 |
| Total program | 2,852,139 | 0 | 2,852,139 |
| Supporting Services: | | | |
| Fundraising | 265,207 | 0 | 265,207 |
| General and administrative | 614,843 | 0 | 614,843 |
| Total Functional Expenses | 3,732,189 | 0 | 3,732,189 |
| | | | |
| CHANGE IN NET ASSETS | 168,045 | 499,891 | 667,936 |
| | | | |
| NET ASSETS, BEGINNING OF YEAR | 8,302,192 | 1,202,836 | 9,505,028 |
| | | | |
| NET ASSETS, END OF YEAR | 8,470,237 | 1,702,727 | 10,172,964 |

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

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|--|---|--|------------------|
| PUBLIC SUPPORT AND REVENUE | | | |
| 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 benefit to donors | <u>(19,020)</u> | <u>0</u> | <u>(19,020)</u> |
| Net revenues from fundraising events | 354,114 | 0 | 354,114 |
| | | | |
| Total Revenue | 4,028,664 | 131,769 | 4,160,433 |
| | | | |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions | 144,071 | (144,071) | 0 |
| | | | |
| FUNCTIONAL EXPENSES | | | |
| Program | | | |
| Building Blocks Preschool | 220,005 | 0 | 220,005 |
| Community Education | 280,194 | 0 | 280,194 |
| 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 |
| Total Functional Expenses | 4,250,858 | 0 | 4,250,858 |
| | | | |
| CHANGE IN NET ASSETS | (78,123) | (12,302) | (90,425) |
| | | | |
| NET ASSETS, BEGINNING OF YEAR | 8,380,315 | 1,215,138 | 9,595,453 |
| | | | |
| NET ASSETS, END OF YEAR | 8,302,192 | 1,202,836 | 9,505,028 |

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, 2020

| | Program | | | | | | | Supporting Services | | Total | |
|--|------------------------|----------------|---------------------|---|----------------------|---|----------------------|---------------------|----------------|----------------|----------------------|
| | Community Education | Parent Aide | Healthy Families | Court Appointed Special Advocate | Guardian ad Litem | Child and Family Advocacy Center | Supervised Visits | Subtotal Program | Fundraising | | General and Admin |
| Salaries | 147,190 | 342,800 | 839,337 | 180,586 | 71,909 | 146,759 | 84,253 | 1,812,834 | 112,805 | 412,127 | 2,337,766 |
| Employee benefits | 7,848 | 20,652 | 85,327 | 17,954 | 11,713 | 11,344 | 6,864 | 161,702 | 14,278 | 22,635 | 198,615 |
| Payroll taxes | 10,911 | 25,278 | 59,118 | 12,847 | 4,769 | 10,428 | 6,139 | 129,490 | 8,405 | 29,682 | 167,577 |
| Professional fees | 354 | 904 | 49,424 | 525 | 288 | 267 | 243 | 52,005 | 215 | 10,000 | 62,220 |
| Supplies | 14,562 | 9,118 | 28,009 | 4,563 | 1,382 | 3,405 | 930 | 61,969 | 11,975 | 4,148 | 78,092 |
| Telephone | 1,299 | 19,587 | 32,761 | 8,596 | 3,116 | 2,238 | 2,021 | 69,618 | 896 | 2,876 | 73,390 |
| Postage | 100 | 214 | 905 | 246 | 1,688 | 68 | 57 | 3,278 | 278 | 588 | 4,144 |
| Utilities | 3,920 | 6,406 | 8,370 | 3,273 | 833 | 4,761 | 2,551 | 30,114 | 3,977 | 6,097 | 40,188 |
| Building maintenance | 5,475 | 2,252 | 9,130 | 4,274 | 905 | 6,861 | 3,547 | 32,444 | 5,651 | 7,392 | 45,487 |
| Printing | 252 | 1,078 | 1,947 | 374 | 206 | 240 | 173 | 4,270 | 240 | 811 | 5,321 |
| Local transportation | 1,467 | 5,414 | 13,032 | 3,637 | 307 | 574 | 43 | 24,474 | 76 | 41 | 24,591 |
| Staff development | 16,300 | 29,745 | 10,575 | 900 | 196 | 3,173 | 844 | 61,733 | 652 | 1,562 | 63,947 |
| Subscriptions & memberships | 1,311 | 4,545 | 9,832 | 806 | 637 | 6,166 | 702 | 23,999 | 5,073 | 8,146 | 37,218 |
| Insurance | 4,614 | 3,433 | 14,657 | 4,411 | 1,498 | 5,207 | 3,033 | 36,853 | 4,332 | 7,834 | 49,019 |
| Meetings | 225 | 153 | 144 | 10 | 5 | 5 | 5 | 547 | 49 | 997 | 1,593 |
| Marketing | 220 | 1,264 | 3,162 | 7,799 | 212 | 442 | 782 | 13,881 | 10,871 | 34,816 | 59,568 |
| Bank service charges | 859 | 1,938 | 5,884 | 1,140 | 1,981 | 596 | 684 | 13,082 | 1,290 | 10,163 | 24,535 |
| Rent | 0 | 10,325 | 10,324 | 0 | 0 | 0 | 0 | 20,649 | 0 | 0 | 20,649 |
| Equipment support & repair | 4,126 | 6,936 | 26,406 | 5,478 | 2,219 | 3,970 | 1,919 | 51,054 | 1,747 | 7,741 | 60,542 |
| Contract labor | 30 | 1,046 | 20 | 0 | 0 | 1,600 | 0 | 2,696 | 0 | 0 | 2,696 |
| Bad debts | 2,160 | 0 | 0 | 0 | 24,792 | 0 | 0 | 26,952 | 51,486 | 0 | 78,438 |
| Property tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 426 | 426 |
| Depreciation | 29,089 | 14,072 | 73,570 | 25,699 | 7,291 | 34,546 | 18,993 | 203,260 | 28,884 | 46,926 | 279,070 |
| Other | 0 | 15,261 | 0 | (26) | 0 | 0 | 0 | 15,235 | 0 | (165) | 15,070 |
| Event expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,813 | 0 | 3,813 |
| Total Expenses | 252,312 | 522,421 | 1,281,934 | 283,092 | 135,947 | 242,650 | 133,783 | 2,852,139 | 266,993 | 614,843 | 3,733,975 |
| Less direct donor benefits netted in revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,786) | 0 | (1,786) |
| TOTAL FUNCTIONAL EXPENSES | 252,312 | 522,421 | 1,281,934 | 283,092 | 135,947 | 242,650 | 133,783 | 2,852,139 | 265,207 | 614,843 | 3,732,189 |

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 |
|--|--|-------------------------------|-----------------------|----------------------------|--|-----------------------------|--|-----------------------------|---|----------------------------|----------------|-----------------------------|------------------|
| | Building Blocks <u>Preschool</u> | Community <u>Education</u> | Parent <u>Aide</u> | Healthy <u>Families</u> | Court Appointed Special <u>Advocate</u> | Guardian <u>ad Litem</u> | Child and Family Advocacy <u>Center</u> | Supervised <u>Visits</u> | Positive Parenting <u>Program</u> | Subtotal <u>Program</u> | Fundraising | General and <u>Admin</u> | |
| Salaries | 132,692 | 138,170 | 334,696 | 880,550 | 222,229 | 86,616 | 149,269 | 100,903 | 56,175 | 2,101,300 | 126,831 | 409,989 | 2,638,120 |
| Employee benefits | 10,256 | 9,266 | 28,606 | 70,005 | 32,152 | 7,182 | 12,971 | 7,120 | 8,167 | 185,725 | 18,442 | 23,460 | 227,627 |
| Payroll taxes | 9,643 | 10,164 | 24,911 | 64,618 | 15,559 | 6,159 | 10,819 | 7,620 | 3,726 | 153,219 | 9,468 | 31,015 | 193,702 |
| Professional fees | 0 | 0 | 0 | 3,358 | 0 | 0 | 0 | 0 | 0 | 3,358 | 810 | 34,541 | 38,709 |
| Food supplies | 3,505 | 1,270 | 109 | 1,177 | 906 | 9 | 191 | 12 | 331 | 7,510 | 275 | 1,116 | 8,901 |
| Supplies | 1,971 | 21,691 | 9,794 | 39,716 | 3,281 | 1,140 | 7,009 | 1,879 | 1,037 | 87,518 | 2,059 | 6,909 | 96,486 |
| Telephone | 2,353 | 529 | 9,282 | 22,491 | 4,626 | 1,196 | 1,303 | 1,585 | 280 | 43,645 | 307 | 999 | 44,951 |
| Postage | 64 | 1,217 | 276 | 655 | 167 | 2,471 | 82 | 70 | 30 | 5,032 | 1,189 | 791 | 7,012 |
| Utilities | 6,635 | 5,541 | 6,796 | 6,738 | 2,642 | 352 | 3,966 | 1,671 | 142 | 34,483 | 2,218 | 5,920 | 42,621 |
| Building maintenance | 6,204 | 4,804 | 6,617 | 8,738 | 2,667 | 477 | 3,789 | 1,478 | 238 | 35,012 | 2,093 | 5,780 | 42,885 |
| Printing | 296 | 6,507 | 494 | 797 | 548 | 350 | 203 | 136 | 592 | 9,923 | 4,556 | 1,417 | 15,896 |
| Local transportation | 1,542 | 4,022 | 16,935 | 37,269 | 17,703 | 3,325 | 686 | 161 | 672 | 82,315 | 852 | 1,079 | 84,246 |
| Staff development | 451 | 16,191 | 11,605 | 30,337 | 2,974 | 107 | 10,643 | 1,768 | 65 | 74,141 | 4,240 | 9,990 | 88,371 |
| Subscriptions & memberships | 180 | 1,246 | 1,176 | 8,047 | 352 | 408 | 792 | 497 | 17 | 12,715 | 2,623 | 2,388 | 17,726 |
| Insurance | 1,826 | 3,046 | 6,554 | 17,492 | 4,063 | 1,429 | 1,842 | 1,799 | 654 | 38,705 | 1,896 | 8,168 | 48,769 |
| Meetings | 56 | 361 | 231 | 429 | 641 | 119 | 497 | 5 | 38 | 2,377 | 1,024 | 2,110 | 5,511 |
| Marketing | 103 | 5,235 | 812 | 1,653 | 10,190 | 31 | 92 | 40 | 1,111 | 19,267 | 5,779 | 9,382 | 34,428 |
| Bank service charges | 1,853 | 2,660 | 3,592 | 10,487 | 2,312 | 742 | 1,269 | 1,013 | 410 | 24,338 | 1,364 | 17,689 | 43,391 |
| Rent | 0 | 0 | 11,580 | 11,580 | 0 | 0 | 0 | 0 | 0 | 23,160 | 0 | 0 | 23,160 |
| Equipment support & repair | 2,046 | 4,625 | 10,854 | 20,895 | 4,115 | 1,635 | 6,156 | 1,504 | 518 | 52,348 | 4,340 | 15,681 | 72,369 |
| Contract labor | 0 | 0 | 0 | 25,531 | 0 | 0 | 1,263 | 0 | 0 | 26,794 | 0 | 0 | 26,794 |
| Bad debts | 0 | 6,950 | 0 | 861 | 2,290 | 20,570 | 0 | 0 | 0 | 30,671 | 41,929 | 0 | 72,600 |
| Property tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 401 | 401 |
| Depreciation | 38,317 | 36,498 | 13,002 | 68,524 | 20,868 | 4,604 | 26,233 | 13,097 | 1,872 | 223,015 | 16,934 | 43,815 | 283,764 |
| Lobbying | 0 | 148 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 148 | 0 | 0 | 148 |
| Other | 12 | 53 | 2,053 | 1,261 | 1,310 | 0 | 0 | 0 | 25 | 4,714 | 3 | 591 | 5,308 |
| Event expense | 0 | 0 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 105,967 | 0 | 105,982 |
| Total Expenses | 220,005 | 280,194 | 499,990 | 1,333,209 | 351,595 | 138,922 | 239,075 | 142,358 | 76,100 | 3,281,448 | 355,199 | 633,231 | 4,269,878 |
| Less direct donor benefits netted in revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (19,020) | 0 | (19,020) |
| TOTAL FUNCTIONAL EXPENSES | 220,005 | 280,194 | 499,990 | 1,333,209 | 351,595 | 138,922 | 239,075 | 142,358 | 76,100 | 3,281,448 | 336,179 | 633,231 | 4,250,858 |

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

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------|----------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Change in net assets | 667,936 | (90,425) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 279,070 | 283,764 |
| Realized investment gains | (2,274) | (561,616) |
| Unrealized investment (gains) losses | (303,077) | 218,528 |
| Change in beneficial interest | (22,120) | (11,809) |
| Loss on disposal of property and equipment | 19,650 | 0 |
| Provision for bad debts | 12,688 | 56,090 |
| Adjustments for changes in operating assets and liabilities: | | |
| Investments - other | 101,183 | 0 |
| Accounts receivable | 35,793 | (48,353) |
| Pledges receivable | 99,281 | 240,546 |
| Grants receivable | (358,753) | 98,459 |
| Contributions receivable | 182,494 | (189,078) |
| Prepaid expenses | 28,002 | (7,158) |
| Accounts payable | (24,820) | 16,753 |
| Accrued liabilities | (4,961) | (69,179) |
| Deferred revenue | 0 | (90,000) |
| Net Cash Flows From (Used In) Operating Activities | 710,092 | (153,478) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (2,703) | (35,249) |
| Purchase of investments | (1,092,444) | (2,709,080) |
| Proceeds from sale of investments | 469,527 | 2,720,556 |
| Net Cash Flows Used In Investing Activities | (625,620) | (23,773) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | | |
| Net change in line of credit | (100,000) | 100,000 |
| Net Cash Flows From (Used In) Financing Activities | (100,000) | 100,000 |
| CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | (15,528) | (77,251) |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | | |
| AT BEGINNING OF YEAR | 547,313 | 624,564 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | | |
| AT END OF YEAR | 531,785 | 547,313 |
| SUPPLEMENTARY DISCLOSURE OF CASH FLOWS | | |
| Interest paid | 378 | 1,488 |

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

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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. This program was discontinued after 2019.
- *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.
- *Positive Parenting Program* gives parents simple and practical strategies to help them build strong, healthy relationships, confidently manage their children's behavior and prevent problems from developing. This program was assumed by another nonprofit entity after 2019.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

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 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 \$132,568 and \$639 of restricted cash on hand at December 31, 2020 and 2019, respectively which is classified as a Current Asset and is restricted for use in the programs described in Note 9.

CHILD AND PARENT SERVICES, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

REVENUE AND ACCOUNTS RECEIVABLE

Service fees

The Organization has several programs that generate program service fees at specified rates based on services performed by the Organization's employees. The revenue for these services is recognized when the service is performed in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. These revenues are recognized at a point in time.

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 \$48,300 and \$25,430 at December 31, 2020 and 2019, 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.

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, 2020 or 2019.

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 Contributions receivable to be \$9,050 and \$10,900 at December 31, 2020 and 2019, respectively

CERTIFICATES OF DEPOSIT

Certificates of deposit held for investment with original maturities greater than three months and remaining maturities less than one year that are not debt securities are included in Current Assets.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time. The Organization did not receive any donated assets for the years ended December 31, 2020 or 2019.

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 \$279,070 and \$283,764 for the years ended December 31, 2020 and 2019, respectively. The Organization had \$2,703 and \$0 of construction in progress which was not depreciated as of December 31, 2020 and 2019, respectively, included in Building and building improvements 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.

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.

Contributions received are considered to be 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

CONTRIBUTED MATERIALS AND SERVICES

In order to recognize donated services as contributions in the consolidated 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. A number of unpaid volunteers 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.

Contributions of in-kind items used in the Organization's programs are recognized at fair market value when received. There were no gifts in-kind recognized in the financial statements for the years ended December 31, 2020 or 2019.

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 2017 through 2019 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On May 28, 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and later, various subsequent amendments (collectively "ASC 606"). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition, including industry-specific guidance. ASC 606 requires that revenue is recognized when a customer obtains control of a good or service, which is when a customer has the ability to direct the use of and obtain benefits of the good or service. The Organization adopted ASC 606 for the fiscal year ended December 31, 2020 using the modified retrospective method applied to all contracts not completed as of January 1, 2020. Prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change in the accounting for any revenue streams. As such, no cumulative effect adjustment was recorded.

RECENT ADOPTION OF ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*, 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.

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.

RECLASSIFICATIONS

Certain items in the 2019 financial statements have been reclassified to conform with the 2020 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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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization has working capital of \$1,643,357 and \$1,092,022 and average days cash on hand of 42 and 50 as of December 31, 2020 and 2019, respectively.

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

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Cash and cash equivalents | 399,217 | 546,674 |
| Certificate of deposit | 0 | 101,183 |
| Investments | 652,590 | 0 |
| Accounts receivable, net | 12,152 | 70,815 |
| Pledges receivable, net | 124,812 | 180,581 |
| Grants receivable | 277,237 | 218,484 |
| Contributions receivable, net | 32,753 | 213,397 |
| Assets limited to use: | | |
| Donor restricted | 282,568 | 639 |
| Total financial assets available for general expenditures within 1 year: | 1,781,329 | 1,331,773 |

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. As discussed in Note 10, 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. Board designated investments of \$1,000,000 in Long-Term Assets act as collateral against the line of credit. Since there were no borrowings at December 31, 2020, board designated funds were unencumbered as of that date.

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.

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

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

The Organization 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, 2020:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|-------------------|------------------|----------------|----------------|
| Cash and cash equivalents | 128,356 | 128,356 | 0 | 0 |
| Common stocks | 1,853,943 | 1,853,943 | 0 | 0 |
| Fixed income | 1,678,213 | 1,678,213 | 0 | 0 |
| Mutual funds | | | | |
| Alternative investments | | | | |
| Options | 126,449 | 126,449 | 0 | 0 |
| Merger arbitrage | 127,897 | 127,897 | 0 | 0 |
| Real estate investment trusts | 92,574 | 92,574 | 0 | 0 |
| Beneficial interest in assets held by CF | 160,266 | 0 | 0 | 160,266 |
| Total | 4,167,698 | 4,007,432 | 0 | 160,266 |

CHILD AND PARENT SERVICES, INC.

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NOTES TO FINANCIAL STATEMENTS

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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 held by CF | 138,146 | 0 | 0 | 138,146 |
| Total | 3,217,310 | 3,079,164 | 0 | 138,146 |

Investment income for the the years ended December 31:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|----------------|----------------|
| Interest and dividends | 78,868 | 67,387 |
| Realized gains | 2,274 | 561,616 |
| Unrealized gains (losses) | 303,077 | (218,528) |
| Investment management fees | (26,039) | (22,490) |
| Total | 358,180 | 387,985 |

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:

| | |
|--|----------------|
| 2021 | 165,761 |
| 2022 | 20,000 |
| Total pledges due | 185,761 |
| Less allowance for doubtful pledges | 27,668 |
| Pledges receivable before discount | 158,093 |
| Less present value discounted based on treasury rates plus a risk rate of 3% | 17,093 |
| Pledges receivable, net | 141,000 |

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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>2020</u> | <u>2019</u> |
|--------------|----------------|----------------|
| Current | 124,812 | 180,581 |
| Non-current | 16,188 | 51,368 |
| Total | 141,000 | 231,949 |

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.

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, 2020 and 2019 was \$160,266 and \$138,146, 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 \$305,098 and \$243,028 as of December 31, 2020 and 2019, respectively.

The Organization received distributions totaling \$0 and \$17,290 during the years ended December 31, 2020 and 2019, 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 at December 31, 2019. 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 \$1,000,000 of the Organization's board designated investments. There were no outstanding borrowings at December 31, 2020. Interest expense on the line of credit included in Bank service charges on the Statements of Functional Expenses was \$378 and \$1,488 for the years ended December 31, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization entered into a loan with a local bank evidencing an unsecured promissory note in the amount of \$600,000 pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to the terms of the PPP Note, the PPP loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two to five years. The loan is unsecured and guaranteed by the Small Business Administration ("SBA").

The loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligation that were entered into before February 15, 2020. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for allowable costs.

The Organization has elected the FASB ASC 958-605 accounting model for the PPP loan. Under this model, the PPP loan is treated as a conditional contribution and revenue recognition takes place at the time the conditions are substantially met. All conditions were met during 2020. In November 2020, the Organization submitted the PPP loan forgiveness application which was approved by the lender and the SBA in the same month. The amount forgiven of \$600,000 is included in Service fees and other income in the Statements of Activities.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Undesignated | 6,117,280 | 6,151,536 |
| Board designated | 2,192,691 | 2,012,510 |
| Beneficial interest in assets held by CF | 160,266 | 138,146 |
| Total Net Assets Without Donor Restrictions | 8,470,237 | 8,302,192 |

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|------------------|------------------|
| Family Resource Navigation program | 428,520 | 0 |
| Vision 2020 pledges | 108,008 | 135,543 |
| Angel fund | 4,048 | 639 |
| Endowment earnings | 538,824 | 443,327 |
| Endowments invested in perpetuity | 623,327 | 623,327 |
| Total | 1,702,727 | 1,202,836 |

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NOTE 10 - 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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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

The following is a summary of endowment net asset composition by type of fund at December 31, 2020:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Totals</u> |
|--|---|-----------------------------------|------------------|
| Donor restricted endowment funds | 0 | 1,162,151 | 1,162,151 |
| Board designated endowment funds | 2,192,691 | 0 | 2,192,691 |
| Beneficial interest in assets held by CF | 160,266 | 0 | 160,266 |
| Endowment net assets, end of year | 2,352,957 | 1,162,151 | 3,515,108 |

The following is a summary of the changes in endowment net assets for the year ended December 31, 2020:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Totals</u> |
|--|---|-----------------------------------|------------------|
| Endowment net assets, beginning of year | 2,150,656 | 1,066,654 | 3,217,310 |
| Net investment income | 259,564 | 125,846 | 385,410 |
| Distributions | (15,106) | (8,006) | (23,112) |
| Designated for distribution | (42,157) | (22,343) | (64,500) |
| Endowment net assets, end of year | 2,352,957 | 1,162,151 | 3,515,108 |

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 |
| Endowment net assets, end of year | 2,150,656 | 1,066,654 | 3,217,310 |

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) |
| Endowment net assets, end of year | 2,150,656 | 1,066,654 | 3,217,310 |

NOTE 11 - 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.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Organization is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Organization's financial position or results of operations.

NOTE 13 - 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 \$572.

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

| | |
|---|---------------|
| 2021 | 13,848 |
| 2022 | 1,154 |
| <u>Total future minimum rental payments</u> | <u>15,002</u> |

Total rental expense was \$13,848 for both the years ended December 31, 2020 and 2019.

NOTE 14 - COVID-19 OUTBREAK

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.

As discussed in Note 7, the Organization obtained a PPP loan during 2020 which helped mitigate the effect COVID-19 had on the Organization's financial position in 2020. Subsequent to year end, the Organization received a second PPP loan in the amount of \$547,500. 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, operations, suppliers, 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 2021.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position, and liquidity in 2021.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 21, 2021, the date the financial statements were available to be issued. As discussed in Note 14, the Organization received a second PPP loan subsequent to year end. No other events or transactions occurred during this period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CHILD AND PARENT SERVICES, INC.Elkhart, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2020

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity or Grant Identifying Number | Federal Expenditures | Expenditures to Subrecipients |
|---|------------------------------------|--|---------------------------------|--|
| Department of Health and Human Services | | | | |
| Passed-through Indiana Department of Child Services | | | | |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | X10MC32190 | 479,711 | 0 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | X10MC33579 | 134,340 | 0 |
| Total Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program | | | <u>614,051</u> | <u>0</u> |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 2001INTANF | 478,888 | 0 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 2101INTANF | 109,538 | 0 |
| Total Temporary Assistance for Needy Families (TANF) | | | <u>588,426</u> | <u>0</u> |
| Total Department of Health and Human Services | | | 1,202,477 | 0 |
| Department of Justice | | | | |
| Passed-through Indiana Criminal Justice Institute | | | | |
| Crime Victim Assistance | 16.575 | VOCA-2018-00177 | 48,707 | 0 |
| Crime Victim Assistance | 16.575 | VOCA-2020-00039 | 18,625 | 0 |
| Crime Victim Assistance | 16.575 | VOCA-2018-00175 | 61,343 | 0 |
| Crime Victim Assistance | 16.575 | VOCA-2020-00041 | 28,695 | 0 |
| Total Crime Victim Assistance | | | <u>157,370</u> | <u>0</u> |
| Domestic Trafficking Victim Program | 16.834 | SOUT-IN-3QIAA18 | 2,000 | 0 |
| Total Domestic Trafficking Victim Program | | | <u>2,000</u> | <u>0</u> |
| Total Department of Justice | | | 159,370 | 0 |
| Total Expenditures of Federal Awards | | | <u>1,361,847</u> | <u>0</u> |

See the Notes to Schedule of Expenditures of Federal Awards.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2020

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, 2020. 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, functional expenses, 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 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, 2020, 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 July 21, 2021.

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) as a basis for designing 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 financial statements. 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
July 21, 2021



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, 2020. 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 each of its major federal programs for the year ended December 31, 2020.

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 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
July 21, 2021

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | 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> | |
| 93.558 Temporary Assistance for Needy Families (TANF) | |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2020

Section II - Financial Statement Findings

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings required to be reported in accordance with the Uniform Guidance.

CHILD AND PARENT SERVICES, INC.

Elkhart, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2020

There were no prior year audit findings.