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October 21, 2021

Board of Directors  
Covering Kids & Families of Indiana, Inc.  
1100 W. 42<sup>nd</sup> St., Suite 317  
Indianapolis, IN 46208

We have reviewed the audit report of Covering Kids & Families of Indiana, Inc., which was opined upon by Alerding CPA Group, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Covering Kids & Families of Indiana, 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, Alerding CPA Group prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



# COVERING KIDS & FAMILIES OF INDIANA, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Covering Kids & Families of Indiana, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Covering Kids & Families of Indiana, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covering Kids & Families of Indiana, Inc. as of December 31, 2019 and 2018 and its changes in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Blending CPA Group*

May 14, 2020

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

### ASSETS

	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash	\$ 179,915	\$ 238,002
Cash held in escrow	-0-	500
Accounts receivable	1,110,645	968,083
Prepaid expenses	29,168	14,073
Total current assets	<u>1,319,728</u>	<u>1,220,658</u>
<b>Property and Equipment, Net</b>	<u>32,886</u>	<u>9,741</u>
Total assets	<u>\$ 1,352,614</u>	<u>\$ 1,230,399</u>

### LIABILITIES AND NET ASSETS

<b>Current Liabilities:</b>		
Accounts payable	\$ 699,833	\$ 677,780
Accrued expenses	82,904	50,230
Total current liabilities	<u>782,737</u>	<u>728,010</u>
<b>Net Assets:</b>		
Without donor restrictions	<u>569,877</u>	<u>502,389</u>
Total liabilities and net assets	<u>\$ 1,352,614</u>	<u>\$ 1,230,399</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Revenue and Support:</b>		
Grants and contracts	\$ 5,649,132	\$ 4,662,972
Contributions	4,455	4,421
Conferences and meetings	91,823	80,622
Interest income	1,120	846
Total revenue and support	<u>5,746,530</u>	<u>4,748,861</u>
<b>Expenses:</b>		
Programs	5,339,198	4,418,033
Management and general	330,428	270,013
Fundraising	9,416	751
Total expenses	<u>5,679,042</u>	<u>4,688,797</u>
Change in net assets	67,488	60,064
<b>Net Assets, Beginning of Year</b>	<u>502,389</u>	<u>442,325</u>
<b>Net Assets, End of Year</b>	<u>\$ 569,877</u>	<u>\$ 502,389</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 558,955	\$ 184,775	\$ 811	\$ 744,541	\$ 662,821
Payroll taxes and benefits	<u>122,034</u>	<u>40,678</u>	<u>-0-</u>	<u>162,712</u>	<u>154,531</u>
Total salaries, taxes and benefits	680,989	225,453	811	907,253	817,352
Subgrants	3,851,190	-0-	-0-	3,851,190	3,257,453
Health programs outreach and marketing	436,852	-0-	-0-	436,852	315,652
Office expenses	39,915	23,655	1,107	64,677	44,417
Occupancy	27,313	9,104	-0-	36,417	32,640
Telephone and internet	7,210	2,404	-0-	9,614	13,988
Travel	27,886	9,296	-0-	37,182	39,974
Meetings	98,049	4,136	-0-	102,185	85,984
Professional fees	136,780	45,593	-0-	182,373	73,805
Insurance	2,347	783	-0-	3,130	2,884
Advocacy	340	-0-	-0-	340	355
Strategic plan	25,849	8,617	-0-	34,466	-0-
Depreciation expense	2,928	977	-0-	3,905	2,545
Other	<u>1,550</u>	<u>410</u>	<u>7,498</u>	<u>9,458</u>	<u>1,748</u>
Total expenses	<u>\$ 5,339,198</u>	<u>\$ 330,428</u>	<u>\$ 9,416</u>	<u>\$ 5,679,042</u>	<u>\$ 4,688,797</u>

See accompanying Notes to Financial Statements.

## COVERING KIDS & FAMILIES OF INDIANA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 492,857	\$ 169,964	\$ -0-	\$ 662,821
Payroll taxes and benefits	114,353	40,178	-0-	154,531
Total salaries, taxes and benefits	607,210	210,142	-0-	817,352
Subgrants	3,257,453	-0-	-0-	3,257,453
Health programs outreach and marketing	315,652	-0-	-0-	315,652
Office expenses	32,567	11,442	408	44,417
Occupancy	23,827	8,813	-0-	32,640
Telephone and internet	10,351	3,637	-0-	13,988
Travel	29,581	10,393	-0-	39,974
Meetings	81,509	4,475	-0-	85,984
Professional fees	53,878	19,927	-0-	73,805
Insurance	2,105	779	-0-	2,884
Advocacy	355	-0-	-0-	355
Depreciation expense	2,545	-0-	-0-	2,545
Other	1,000	405	343	1,748
Total expenses	<u>\$ 4,418,033</u>	<u>\$ 270,013</u>	<u>\$ 751</u>	<u>\$ 4,688,797</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 67,488	\$ 60,064
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,905	2,545
Changes in operating assets and liabilities:		
Accounts receivable	(142,562)	(108,368)
Prepaid expenses	(15,095)	(576)
Accounts payable	22,053	129,106
Accrued expenses	<u>32,674</u>	<u>2,509</u>
Net cash provided by (used in) operating activities	(31,537)	85,280
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	<u>(27,050)</u>	<u>(4,900)</u>
Net increase (decrease) in cash	(58,587)	80,380
<b>Cash, Beginning of Year</b>	<u>238,502</u>	<u>158,122</u>
<b>Cash, End of Year</b>	<u>\$ 179,915</u>	<u>\$ 238,502</u>

See accompanying Notes to Financial Statements.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Entity

Covering Kids & Families of Indiana, Inc. (the "Organization") is a not-for-profit corporation organized to assist Indiana children and adults in obtaining and retaining health care coverage. Its operations are supported primarily by grants and contracts with governmental agencies.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

#### Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following accounts to distinguish among restrictions:

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions include all contributions received, without donor restrictions, and revenues and expenses for the general operation of the Organization.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions include contributions that have donor-imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, restricted net assets are reclassified to net assets without donor restrictions through the release of restrictions in the Statement of Activities and Changes in Net Assets. There were no donor restricted net assets at December 31, 2019 and 2018.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. The primary estimates utilized in the preparation of the financial statements include the collectability of accounts receivable, revenue earned on cost-reimbursement grants, and the reporting of functional expenses among functional categories.

#### Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts, if considered necessary. There was no allowance for doubtful accounts as of December 31, 2019 and 2018.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Support and Revenue Recognition

Revenues from cost-reimbursement grants are recognized as the Organization performs the contracted services or incurs expenses eligible for reimbursement under the grant agreement. Grant activities are subject to audit and acceptance by the granting agency and, as a result of such an audit, adjustments could be required.

The Organization records unconditional promises to give at the date the promise is received. The gifts are reported as support with donor restrictions or support without donor restrictions depending upon the presence of donor stipulations that limit the use of the donated assets. There were no contributions received with donor restrictions during 2019 and 2018.

### Functional Expenses

Expenses are classified as Programs, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel or other rational basis of allocation.

### Donated Materials and Services

Donated materials and services are recorded as in-kind donations at the estimated fair value at the date of receipt.

### Property and Equipment and Depreciation

Purchased equipment and the Organization's website are recorded at cost. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets ranging from three to five years utilizing the straight-line method.

### Advertising

Advertising costs are expensed as incurred and relate to promoting the Organization's programs through its local coalitions. Advertising expense was \$73,652 and \$142,753 for the years December 31, 2019 and 2018, respectively.

### Income Taxes

The Organization is organized as an Indiana not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purposes of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2019, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2016.

### Subsequent Events

Subsequent events are disclosed in Note 9 and have been evaluated through May 14, 2020, which is the date the financial statements were available for issuance.

## 2. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year of the Statement of Financial Position date:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 179,915	\$ 238,002
Cash held in escrow	-0-	500
Accounts receivable	<u>1,110,645</u>	<u>968,083</u>
Total financial assets	1,290,560	1,206,585
Less amounts not available to be used within one year for general expenditures:		
Cash held in escrow	<u>-0-</u>	<u>500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,290,560</u>	<u>\$ 1,206,085</u>

The Organization receives support and revenue through a cost reimbursement grant which is ongoing, major and central to its annual operations to meet cash needs for general operations. For the year ended December 31, 2019 and 2018, grant and contract revenue and support were \$5,649,132 and \$4,662,972, respectively.

The Organization maintains adequate liquid assets to fund near-term operating needs and maintains sufficient reserves to provide reasonable assurance that obligations will be discharged as they become due.

In the event of an unanticipated liquidity need, the Organization has \$150,000 of available borrowings under a line of credit (Note 4).

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 3. PROPERTY AND EQUIPMENT

Equipment at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Website	\$ 11,363	\$ 11,363
Leasehold improvements	4,900	4,900
Construction in process	<u>27,050</u>	<u>-0-</u>
	43,313	16,263
Accumulated depreciation	<u>(10,427)</u>	<u>(6,522)</u>
	<u>\$ 32,886</u>	<u>\$ 9,741</u>

Depreciation expense was \$3,905 and \$2,545 for the years ended December 31, 2019 and 2018, respectively.

### 4. LINE OF CREDIT

The Organization has \$150,000 of available borrowings under a line of credit agreement with a bank which expires on September 30, 2020, at which time it is subject to renewal. Interest on outstanding borrowings is payable monthly at 5.5%, and borrowings are secured by substantially all assets of the Organization. There were no outstanding borrowings on the line of credit as of December 31, 2019 and 2018.

### 5. OPERATING LEASE

The Organization leases office space and office equipment under the terms of operating leases, with initial terms greater than one year, requiring monthly payments aggregating \$3,105 as of December 31, 2019. Facility and equipment leases expire at various dates through November 2023. The future minimum lease payments due under the terms of the operating leases are as follows:

<u>December 31,</u>	
2020	\$ 32,222
2021	4,382
2022	4,158
2023	<u>2,530</u>
	<u>\$ 43,292</u>

Total lease expense was \$36,417 and \$35,761 for the years ended December 31, 2019 and 2018, respectively.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 6. EMPLOYEE BENEFITS PLANS

The Organization maintains a Simple Employee Pension (“SEP”) plan for all eligible employees. Full-time employees become eligible for the plan immediately upon being hired. The Organization made contributions to the plan equal to 6% of employee wages for the years ended December 31, 2019 and 2018. The Organization’s contributions totaled \$41,730 and \$39,778 for the years ended December 31, 2019 and 2018, respectively.

Also, the Organization previously maintained certain health insurance benefits which required funds to be held in escrow in order to secure the payment of future claims. Cash held in escrow was \$-0- and \$500 at December 31, 2019 and 2018, respectively.

### 7. COMMITMENTS AND CONTINGENCIES

During 2019, the Organization executed two contracts with a hotel to hold its annual conference planned for June 2020 and to host a statewide retreat scheduled for September 2020. The contracts include cancellation clauses whereby the Organization is liable for liquidated damages based on the amount of minimum committed revenues and the length of time between the cancellation date and the scheduled event. During February 2020, the Organization canceled the statewide retreat and paid cancellation fees of \$9,019. As of the issuance date of the financial statements presented herein, the annual conference has been canceled and all cancellation fees have been waived.

### 8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

As of December 31, 2019 and for the year then ended, one (1) grantor represented 100% of accounts receivable and 100% of grant and contract revenues.

As of December 31, 2018 and for the year then ended, one (1) grantor represented 99% of accounts receivable and 100% of grant and contract revenues.

# COVERING KIDS & FAMILIES OF INDIANA, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 9. SUBSEQUENT EVENTS

#### COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The effects of COVID-19 will likely adversely impact local, national and global economies. The extent to which COVID-19 impacts the Organization's operations is dependent on the breadth and duration of the pandemic, and could be affected by other factors management is not currently able to predict. Potential impacts could include, but are not limited to, reduced contributions and grants, shortages of personnel, or modifications to the Organization's programs.

#### Paycheck Protection Program

Effective April 2020, the Organization borrowed \$135,688 from a bank under the U.S. Small Business Administration's Paycheck Protection Program ("PPP"). Under the terms of the program, a portion of the loan may be forgiven based on the Organization's number of employees and actual expenditures during the eight-week period following the funding of the loan. To the extent the loan amount is not forgiven under the PPP, the Organization must make equal monthly payments of principal and interest beginning six months from the date of the note through the maturity date, which is two years from the date of the note. This note may be prepaid in part or in whole at any time without penalty. This transaction is not reflected in the accompanying financial statements.