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October 22, 2021

Board of Directors
Covering Kids & Families of Indiana, Inc.
1100 W. 42nd 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, 2020 to December 31, 2020. 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, 2020 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
Paul D. Joyce, CPA
State Examiner



FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



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, 2020 and 2019, 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, 2020 and 2019 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.

Alending CIA Group

May 13, 2021

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 450,923	\$ 179,915
Accounts receivable	563,940	1,110,645
Prepaid expenses	<u>21,989</u>	<u>29,168</u>
Total current assets	1,036,852	1,319,728
Property and Equipment, Net	<u>26,085</u>	<u>32,886</u>
Total assets	<u>\$ 1,062,937</u>	<u>\$ 1,352,614</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 317,933	\$ 699,833
Accrued expenses	<u>117,940</u>	<u>82,904</u>
Total current liabilities	435,873	782,737
Net Assets:		
Without donor restrictions	<u>627,064</u>	<u>569,877</u>
Total liabilities and net assets	<u>\$ 1,062,937</u>	<u>\$ 1,352,614</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support:		
Grants and contracts	\$ 3,934,612	\$ 5,649,132
Paycheck Protection Program ("PPP") grant	136,726	-0-
Contributions	6,505	4,455
Conferences and meetings	32,850	91,823
Interest income	1,063	1,120
Total revenue and support	<u>4,111,756</u>	<u>5,746,530</u>
Expenses:		
Programs	3,682,940	5,339,198
Management and general	364,311	330,428
Fundraising	7,318	9,416
Total expenses	<u>4,054,569</u>	<u>5,679,042</u>
Change in net assets	57,187	67,488
Net Assets, Beginning of Year	<u>569,877</u>	<u>502,389</u>
Net Assets, End of Year	<u>\$ 627,064</u>	<u>\$ 569,877</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries	\$ 710,531	\$ 237,669	\$ 1,255	\$ 949,455	\$ 744,541
Payroll taxes and benefits	167,654	58,906	-0-	226,560	162,712
Total salaries, taxes and benefits	<u>878,185</u>	<u>296,575</u>	<u>1,255</u>	<u>1,176,015</u>	<u>907,253</u>
Subgrants	2,391,738	-0-	-0-	2,391,738	3,851,190
Health programs outreach and marketing	209,750	-0-	-0-	209,750	436,852
Office expenses	17,755	6,238	-0-	23,993	20,411
Printing and postage	14,606	5,132	-0-	19,738	21,113
Occupancy	30,201	10,611	-0-	40,812	36,417
Telephone and internet	7,457	2,620	-0-	10,077	9,614
Website	7,675	2,697	-0-	10,372	9,665
Travel	6,024	2,116	-0-	8,140	37,182
Meetings	9,499	-0-	-0-	9,499	102,185
Professional fees	87,554	30,762	-0-	118,316	182,373
Insurance	2,013	707	-0-	2,720	3,130
Advocacy	30	-0-	-0-	30	340
Strategic plan	11,100	3,900	-0-	15,000	34,466
Depreciation expense	8,313	425	-0-	8,738	3,905
Other	1,040	2,528	6,063	9,631	22,946
Total expenses	<u>\$ 3,682,940</u>	<u>\$ 364,311</u>	<u>\$ 7,318</u>	<u>\$ 4,054,569</u>	<u>\$ 5,679,042</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 558,955	\$ 184,775	\$ 811	\$ 744,541
Payroll taxes and benefits	122,034	40,678	-0-	162,712
Total salaries, taxes and benefits	<u>680,989</u>	<u>225,453</u>	<u>811</u>	<u>907,253</u>
Subgrants	3,851,190	-0-	-0-	3,851,190
Health programs outreach and marketing	436,852	-0-	-0-	436,852
Office expenses	15,308	5,103	-0-	20,411
Printing and postage	15,835	5,278	-0-	21,113
Occupancy	27,313	9,104	-0-	36,417
Telephone and internet	7,210	2,404	-0-	9,614
Website	7,249	2,416	-0-	9,665
Travel	27,886	9,296	-0-	37,182
Meetings	98,049	4,136	-0-	102,185
Professional fees	136,780	45,593	-0-	182,373
Insurance	2,347	783	-0-	3,130
Advocacy	340	-0-	-0-	340
Strategic plan	25,849	8,617	-0-	34,466
Depreciation expense	2,928	977	-0-	3,905
Other	3,073	11,268	8,605	22,946
Total expenses	<u>\$ 5,339,198</u>	<u>\$ 330,428</u>	<u>\$ 9,416</u>	<u>\$ 5,679,042</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 57,187	\$ 67,488
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,738	3,905
Changes in operating assets and liabilities:		
Accounts receivable	546,705	(142,562)
Prepaid expenses	7,179	(15,095)
Accounts payable	(381,900)	22,053
Accrued expenses	35,036	32,674
Net cash provided by (used in) operating activities	<u>272,945</u>	<u>(31,537)</u>
Cash Flows From Investing Activities:		
Capital expenditures	<u>(1,937)</u>	<u>(27,050)</u>
Net increase (decrease) in cash	271,008	(58,587)
Cash, Beginning of Year	<u>179,915</u>	<u>238,502</u>
Cash, End of Year	<u>\$ 450,923</u>	<u>\$ 179,915</u>

See accompanying Notes to Financial Statements.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Covering Kids & Families of Indiana, Inc. (the "Organization") is a not-for-profit corporation organized to help all Hoosiers apply for and understand and retain healthcare coverage programs. Its operations are supported primarily by grants and contracts with government 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 Statements of Activities and Changes in Net Assets. There were no donor restricted net assets at December 31, 2020 and 2019.

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, 2020 and 2019.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 2020 and 2019.

Paycheck Protection Program

During April 2020, the Organization borrowed \$135,868 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under terms of the program, a portion or all of the loan was forgivable if the Organization maintained certain criteria. Effective December 10, 2020, the Organization received notification of full forgiveness from the SBA. The Organization recognized the forgiveness, including accrued interest of \$858, as revenue and support within the Statement of Activities and Changes in Net Assets for the year ended December 31, 2020.

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.

Property and Equipment and Depreciation

The Organization's website and leasehold improvements 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 (3) to five (5) 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 \$36,878 and \$73,652 for the years ended December 31, 2020 and 2019, respectively

Reclassification

Certain amounts have been reclassified in the 2019 financial statements presented herein to conform to the 2020 presentation.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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.

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, 2020, 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, 2017.

Subsequent Events

Subsequent events (Note 7) have been evaluated through May 13, 2021 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, 2020 and 2019, available for general use within one year of the Statement of Financial Position date:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 450,923	\$ 179,915
Accounts receivable	<u>563,940</u>	<u>1,110,645</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,014,863</u>	<u>\$ 1,290,560</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 years ended December 31, 2020 and 2019, grant and contract revenue and support were \$3,934,612 and \$5,649,132, respectively.

The Organization's liquidity objective is to maintain 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, 2020 AND 2019

3. PROPERTY AND EQUIPMENT

Equipment at December 31, 2020 and 2019 consists of the following:

Website	\$ 40,350	\$ 11,363
Leasehold improvements	4,900	4,900
Construction in process	<u>-0-</u>	<u>27,050</u>
	45,250	43,313
Accumulated depreciation	<u>(19,165)</u>	<u>(10,427)</u>
	<u>\$ 26,085</u>	<u>\$ 32,886</u>

Depreciation expense was \$8,738 and \$3,905 for the years ended December 31, 2020 and 2019, respectively.

4. LINE OF CREDIT

The Organization has \$150,000 of available borrowings under a line of credit agreement with a bank subject to renewal in October 31, 2022. The line of credit bears interest at the bank's prime lending rate (3.25% at December 31, 2020). The agreement is secured by substantially all assets of the Organization. There were no outstanding borrowings on the line of credit as of December 31, 2020 and 2019.

5. 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, 2020 and 2019. The Organization's contributions totaled \$55,906 and \$41,730 for the years ended December 31, 2020 and 2019, respectively.

6. 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, 2020 and for the year then ended, one (1) grantor represented 93% of accounts receivable and 88% of grant and contract revenues.

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.

COVERING KIDS & FAMILIES OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. SUBSEQUENT EVENTS

On February 9, 2021, the Organization secured an additional note payable for \$135,867 from a bank through the SBA's PPP provided by the Coronavirus Aid, Relief, and Economic Security Act and the Economic Aid to Hard Hit Small Businesses, Nonprofits, and Venues Act. Consistent with the SBA note secured and reported as forgiven during 2020 (Note 1), this additional note allows borrowers to receive full loan forgiveness based on the Organization expending the funds in compliance with the specified criteria required to receive forgiveness.

To the extent any of the loan principal and accrued interest is not forgiven, the note must be repaid through equal monthly payments of principal and interest beginning at the latter of ten months after the end of the coverage period or upon completion of the SBA's review of the forgiveness application and continuing through the note maturity date in February 2026. The loan accrues interest at 1% on any outstanding balance commencing at the note's funding date. The loan may be prepaid in part or in whole at any time without penalty. This transaction is not reflected in the accompanying financial statements.