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REPORT OF INDEPENDENT AUDITORS

Board of Directors

We have audited the accompanying consolidated financial statements of A FAKE COMPANY (the Corporation) which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 of America and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors
A FAKE COMPANY
Columbus, Indiana

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2018, the Corporation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards on page 21, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying consolidated schedule of expenditures of state and local awards on page 22 is also presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 18, 2019 on our consideration of the Corporation'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 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 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 the Corporation's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
November 18, 2019

A FAKE COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

ASSETS

Current assets

Cash	
Service receivables, net	
Other receivables, net	
Prepaid expenses	
Inventory	
Other current assets	_____
Total current assets	

Other assets

Property and equipment, net	
Investments held by others	
Investments	
Other assets	
Accrued interest receivable	
Notes receivable	_____
Total other assets	_____
Total assets	

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	
Employee compensation payable	
Current portion of capital lease obligation	
Current maturities of notes payable	
Benefits payable	
Other current liabilities	_____
Total current liabilities	

Long-term liabilities

Other liabilities	
Notes payable	_____
Total long-term liabilities	_____
Total liabilities	

Net assets

Without donor restrictions	
Undesignated	
Board designated - held by others	_____
Total without donor restrictions	
With donor restrictions	_____
Total net assets	_____
Total liabilities and net assets	

See accompanying notes to the consolidated financial statements.

A FAKE COMPANY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET
ASSETS YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Program revenues and support			
Medicaid reimbursement			
Transportation			
Infant/Toddler			
Vocational rehabilitation services			
Social Services Block Grant			
The Arc			
County commissioners			
United Way allocation			
Work contract income (net of cost of goods sold of \$)			
Client fees			
Gain on sale of property and equipment			
Investment income			
Rental income			
Vending machine income			
Grant revenue and other support			
Total support and revenue			
Expenses			
Program services			
Family support			
Supported living			
Residential			
County services			
Child services			
Nursing and residential support			
Business and industry			
Employment			
Rural transportation			
Housing projects			
Total program services			
Support services			
Marketing and capital development			
Management and general			
Total supporting services			
Total expenses			
Change in net assets			
Net assets			
Beginning of year			
End of year			

See accompanying notes to the consolidated financial statements.

A FAKE COMPANY
CONSOLIDATED STATEMENT OF FUNCTIONAL
EXPENSES YEAR ENDED JUNE 30, 2019

Personnel expense
Professional services
Supplies
Telephone/Internet
Postage & shipping
Occupancy
Travel
Conference & meetings
Client support
Membership dues
Transportation providers
Other
Depreciation
Total expenses by function

Less expenses included in revenues
on the consolidated statement of
activities

Cost of goods sold
Total expenses

A FAKE COMPANY
CONSOLIDATED STATEMENT OF CASH
FLOWS YEAR ENDED JUNE 30, 2019

Operating activities

Change in net assets	
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	
Gain on sale of property and equipment	
Investment income earned on investments held by others	
Unrealized gain on investments	
Restricted contributions, gifts and bequests	
Changes in operating assets and liabilities:	
Contract service receivables	
Other receivables	
Prepaid expenses	
Inventory	
Other current and long-term assets	
Accounts payable	
Employee compensation payable	
Deferred support	
Benefits payable	
Other current liabilities	
Net cash flows from operating activities	

Investing activities

Proceeds from sale of property and equipment	
Purchase of property and equipment	
Change in accrued interest receivable	
Purchase of investments	
Net cash flows from investing activities	

Financing activities

Restricted contributions, gifts and bequests	
Payments on long-term debt and capital lease	
Borrowings on long-term debt	
Net cash flows from financing activities	
Net change in cash	

Cash

Beginning of year	
End of year	

See accompanying notes to consolidated financial statements.

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Principles of Consolidation

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Basis of Accounting

Use of Estimates

Cash

Receivables

Inventory

Property and Equipment and Depreciation

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Investments Held by Others

Investments

Accrued Interest Receivable

Notes Receivable

Other Long-Term Liabilities

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS JUNE 30, 2019

Net Assets

Program Revenue

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Contributions

County Affiliation Activities

Work Contract Income

Functional Allocation of Expenses

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Income Taxes

Going Concern Evaluation

Subsequent Events

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Recently Issued Accounting Standards

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

2. CHANGE IN ACCOUNTING PRINCIPLE

3. ACQUISITION OF

Assets
Cash
Other current assets
Property and equipment
Other assets
Total assets
Liabilities
Current liabilities
Long-term debt
Other liabilities
Total liabilities
Net assets acquired

The following is a progression for net assets acquired on November 1, 2017 to consolidated net assets as of June 30, 2018:

Net assets aquired - 11/1/17	
Change in net assets - 11/1/17 to 6/30/18	_____
Corporation net assets - 6/30/18	
DSI net assets - 6/30/18	
Four Rivers net assets - 6/30/18	_____
Elimination	_____
Consolidated net assets - 6/30/18	

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

4. SERVICE RECEIVABLES

As of June 30, 2019, service receivables consisted of the following:

- Waiver services
- Transportation
- Residential
- Work contracts
- First Steps
- Healthy families
- Other

Less allowance for uncollectibles

5. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2019:

- Land
- Buildings and building improvements
- Furniture and equipment
- Leasehold improvements
- Vehicles

Less accumulated depreciation

6. INVESTMENTS HELD BY OTHERS AND INVESTMENTS

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

7. FAIR VALUE MEASUREMENTS

8. NOTES RECEIVABLE FROM RELATED ENTITIES

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

9. EMPLOYEE COMPENSATION PAYABLE

Employee compensation payable consists of the following as of June 30, 2019:

Accrued salaries and wages
Accrued paid time off

10. CAPITAL LEASE OBLIGATION

Following is a summary of assets held under capital lease as of June 30, 2019:

Phone system
Less accumulated depreciation

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

The Corporation recognized approximate \$XXXX of depreciation expense under this capital lease during 2019. Minimum future lease payments under this capital lease subsequent to June 30, 2019 are as follows:

Minimum payments due for June 30, 2020
Less amount representing interest
Minimum lease payments

11. LINE OF CREDIT

12. NOTES PAYABLE

Notes payable consist of the following at June 30, 2019 and 2018:

Note payable to My Bank or \$XXXX. Due in full in 2039; noninterest bearing.

Note payable to My Bank for \$XXXXX. Due in full in 2046; noninterest bearing.

Adjustable rate notes payable with interest ranging from 4.8% to 6.0% due through April 2029 with monthly principal and interest payments ranging from \$200 to \$650. Collateralized by property with a net book value of approximately \$XXXXX as of June 30, 2019 and the assignment of all rents.

Less current portion

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS JUNE 30, 2019

Maturities of long-term debt, excluding the AHP notes, are as follows:

Year Ending June 30,
2020
2021
2022
2023
2024
Thereafter

13. OTHER LONG-TERM LIABILITIES

14. RENTAL INCOME

15. OPERATING LEASES

A FAKE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

The leases run through 2023. Future minimum lease payments subsequent to June 30, 2019 under these leases are as follows:

Year Ending June 30,
2020
2021
2022
2023

16. CONTINGENCY/SELF-FUNDED INSURANCE PLANS

17. SPONSOR GUARANTY

18. LIQUIDITY AND AVAILABILITY OF RESOURCES