



**REPORT ON AUDIT
OF FINANCIAL STATEMENTS AND
SINGLE AUDIT SUPPLEMENT**

DECEMBER 31, 2014

CHILD, INC.

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INDEPENDENT AUDITOR'S REPORT

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April 22, 2015

To the Board of Directors
Child, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Child, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Organization'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 Organization'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.

To the Board of Directors
Child, Inc.

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, Inc. as of December 31, 2014, 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.

Report on Summarized Comparative Information

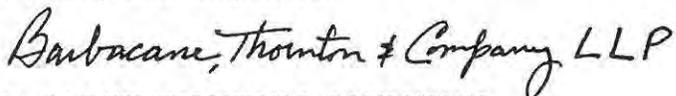
We have previously audited Child, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2014. In our opinion, the summarized comparative information presented herein as of and the for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and certain state grants, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," 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 audit 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 April 22, 2015, on our consideration of Child, 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 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 Child, Inc.'s internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

CHILD, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 727,258	\$ 563,719
Investments	225,874	357,984
Contracts receivable	367,872	398,250
Accrued interest	3,249	3,028
Prepaid expense	897	614
Total Current Assets	<u>1,325,150</u>	<u>1,323,595</u>
PROPERTY AND EQUIPMENT:		
Land	491,015	491,015
Buildings	480,500	480,500
Building improvements	1,730,082	1,726,587
Furniture and fixtures	1,136,602	1,103,345
	<u>3,838,199</u>	<u>3,801,447</u>
Less: accumulated depreciation	<u>(2,454,667)</u>	<u>(2,337,575)</u>
Property and Equipment, Net	<u>1,383,532</u>	<u>1,463,872</u>
Investments	<u>6,493,551</u>	<u>6,465,703</u>
TOTAL ASSETS	<u><u>\$ 9,202,233</u></u>	<u><u>\$ 9,253,170</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS:		
Unrestricted:		
Undesignated	2,600,703	2,772,463
Board-designated:		
Victims of Domestic Violence	200,313	200,421
Operating Reserve	5,403,090	5,499,237
Total Unrestricted	<u>8,204,106</u>	<u>8,472,121</u>
Temporarily restricted	998,127	781,049
TOTAL NET ASSETS	<u>9,202,233</u>	<u>9,253,170</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,202,233</u></u>	<u><u>\$ 9,253,170</u></u>

The accompanying notes are an integral part of these financial statements.

CHILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
	<u>2014</u>	<u>2013</u>	<u>2013</u>
PUBLIC SUPPORT, REVENUE, AND GAINS			
PUBLIC SUPPORT:			
Contributions	\$ 56,181	\$ 56,865	\$ 113,046
Total Public Support	<u>56,181</u>	<u>56,865</u>	<u>113,046</u>
Fees and grants			
Federal:			
U.S. Department of Health and Human Services	-	50,342	59,016
State of Delaware:			
Criminal Justice Council	-	944,632	991,170
Department of Services for Children, Youth, and Their Families:			
Division of Family Services	-	1,189,693	1,344,465
Department of Health and Social Services	-	268,390	267,974
Grant-in-Aid	135,000	-	95,835
Department of Justice	-	997,125	797,700
New Castle County Department of Community Services	-	5,002	6,463
Community Legal Aid Society, Inc.	-	9,206	13,604
Delaware Coalition Against Domestic Violence	-	97,400	69,498
University of Delaware	-	31,535	29,502
Mary Kay Ash Foundation	-	-	20,000
Brandywine School District	-	-	14,251
Christmas Shop Foundation	-	-	600
Delaware Valley Development Corporation	-	25,000	25,000
Wilmington Flower Market	-	-	1,000
City of Wilmington	-	9,906	3,340
Allstate Foundation	-	644	-
Total Fees and Grants	<u>135,000</u>	<u>3,628,875</u>	<u>3,763,875</u>
REVENUE AND GAINS:			
Interest and dividends	59,395	-	57,478
Program income:			
Family Resource/Parent Education	28,621	-	34,151
Domestic Violence:			
Counseling	52,897	-	44,398
Visitation Centers	33,939	-	31,021
Helping Children Heal	34,927	-	33,676
Victim Therapy	17,476	-	14,356

Continued on next page.

CHILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Totals for 2013)

	Unrestricted	Temporarily Restricted	Totals	
	2014	2014	2014	2013
REVENUE AND GAINS (cont'd):				
Program income (cont'd):				
Anger Management for Youth	2,550	-	2,550	985
Special events	3,896	-	3,896	48,397
Miscellaneous revenue	29,733	-	29,733	3,711
Realized gain on investments	605,918	-	605,918	417,107
Unrealized gain (loss) on investments	(755,987)	-	(755,987)	750,885
Total Revenue and Gains	113,365	-	113,365	1,436,165
Net assets released from restriction:				
Satisfaction of program restrictions	3,468,662	(3,468,662)	-	-
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	3,773,208	217,078	3,990,286	5,312,074
EXPENSES:				
Program services:				
Emergency Home for Children/Youth	538,949	-	538,949	543,936
Family Support/Parent Education	485,662	-	485,662	433,468
Domestic Violence	1,894,502	-	1,894,502	1,904,789
Specialized Foster Care	341,377	-	341,377	417,049
Youth Development Program	143,898	-	143,898	147,272
Total Program Services	3,404,388	-	3,404,388	3,446,514
Support services:				
Management and general	636,714	-	636,714	643,745
Fund raising	121	-	121	26,234
Total Support Services	636,835	-	636,835	669,979
TOTAL EXPENSES	4,041,223	-	4,041,223	4,116,493
CHANGE IN NET ASSETS	(268,015)	217,078	(50,937)	1,195,581
NET ASSETS, BEGINNING OF YEAR	8,472,121	781,049	9,253,170	8,057,589
NET ASSETS, END OF YEAR	\$ 8,204,106	\$ 998,127	\$ 9,202,233	\$ 9,253,170

The accompanying notes are an integral part of these financial statements.

CHILD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Totals for 2013)

	Program Services						Total Program Services
	Emergency Home for Children/Youth	Family Support/Parent Education	Domestic Violence	Specialized Foster Care	Youth Development Program		
Salaries	\$ 329,288	\$ 292,727	\$ 1,171,502	\$ 113,874	\$ 85,147	\$ 1,992,538	
Employee benefits and unemployment compensation	101,729	69,038	323,005	38,564	16,700	549,036	
Payroll taxes	24,521	21,645	87,204	8,321	6,514	148,205	
Total Personnel Expenses	455,538	383,410	1,581,711	160,759	108,361	2,689,779	
Advertising	538	80	312	200	-	1,130	
Allowances and clothing	1,907	-	-	-	-	1,907	
Bank fees	-	1,048	856	-	-	1,904	
Emergency relief	50	40	8,635	-	-	8,725	
Foster care	-	-	-	145,157	-	145,157	
Fuel oil	4,861	-	-	-	-	4,861	
Gas and electric	5,434	4,019	22,251	-	-	31,704	
Household supplies and food	13,341	1,165	29,072	-	-	43,578	
Insurance	5,000	5,615	16,728	5,001	600	32,944	
Janitorial	937	1,754	6,876	-	-	9,567	
Membership dues/subscriptions	-	100	1,407	-	-	1,507	
Miscellaneous	500	398	3,973	1,091	2,785	8,747	
Office rent	-	19,110	840	12	1,400	21,362	
Office/program supplies	3,437	28,129	34,777	2,701	8,138	77,182	
Outside printing	-	-	159	-	-	159	
Postage	-	1,422	2,252	1,013	100	4,787	
Professional fees	-	700	17,915	500	300	19,415	
Recreational/cultural supplies	11,265	6,075	2,310	-	149	19,799	
Repairs and maintenance	7,137	6,476	14,825	-	-	28,438	
Seminars and training	860	390	6,434	2,296	8,267	18,247	
Telephone/computer	4,474	15,417	37,653	8,705	7,034	73,283	
Trash removal	1,159	-	2,318	-	-	3,477	
Travel and auto	5,594	8,626	21,728	9,610	5,593	51,151	
Water and sewer	1,929	517	5,711	-	-	8,157	
Subtotal before depreciation	523,961	484,491	1,818,743	337,045	142,727	3,306,967	
Depreciation	14,988	1,171	75,759	4,332	1,171	97,421	
TOTAL EXPENSES	\$ 538,949	\$ 485,662	\$ 1,894,502	\$ 341,377	\$ 143,898	\$ 3,404,388	

Continued on next page.

CHILD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Totals for 2013)

	Support Services			Totals
	Management and General	Fund Raising	Total Support Services	
Salaries	\$ 344,013	-	\$ 344,013	\$ 2,336,551
Employee benefits and unemployment compensation	99,909	-	99,909	648,945
Payroll taxes	24,499	-	24,499	172,704
Total Personnel Expenses	468,421	-	468,421	3,158,200
Advertising	-	-	-	1,130
Allowances and clothing	-	-	-	6,744
Bank fees	1,096	121	1,217	3,491
Emergency relief	-	-	-	8,725
Foster care	-	-	-	145,157
Fuel oil	6,476	-	6,476	11,337
Gas and electric	14,893	-	14,893	46,597
Household supplies and food	511	-	511	44,089
Insurance	2,564	-	2,564	35,508
Janitorial	30,680	-	30,680	40,247
Membership dues/subscriptions	770	-	770	2,277
Miscellaneous	3,843	-	3,843	12,590
Office rent	-	-	-	21,362
Office/program supplies	18,857	-	18,857	96,039
Outside printing	-	-	-	159
Postage	1,643	-	1,643	6,430
Professional fees	36,692	-	36,692	56,107
Recreational/cultural supplies	-	-	-	19,799
Repairs and maintenance	17,252	-	17,252	45,690
Seminars and training	890	-	890	19,137
Telephone/computer	7,661	-	7,661	80,944
Trash removal	1,159	-	1,159	4,636
Travel and auto	2,759	-	2,759	53,910
Water and sewer	876	-	876	9,033
Subtotal before depreciation	617,043	121	617,164	3,924,131
Depreciation	19,671	-	19,671	117,092
TOTAL EXPENSES	\$ 636,714	\$ 121	\$ 636,835	\$ 4,041,223
				2013
				\$ 2,332,857
				589,872
				173,562
				3,096,291

The accompanying notes are an integral part of these financial statements.

CHILD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (50,937)	\$ 1,195,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,092	109,849
Net realized gain on investments	(605,918)	(417,107)
Net unrealized (gain) loss on investments	755,987	(750,885)
Decrease in contracts receivable	30,378	16,036
(Increase) Decrease in accrued interest	(221)	453
(Increase) in prepaid expense	(283)	(443)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>246,098</u>	<u>153,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	357,984	321,791
Purchase of investments	(403,791)	(152,007)
Purchase of property and equipment	(36,752)	(130,735)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(82,559)</u>	<u>39,049</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	163,539	192,533
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>563,719</u>	<u>371,186</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 727,258</u>	<u>\$ 563,719</u>

The accompanying notes are an integral part of these financial statements.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A PURPOSE OF CHILD, INC.

Child, Inc. is a private nonprofit organization providing a variety of social services to children and their families. Programs include: emergency shelter for abused, neglected, and dependent children; shelter, counseling, and 24-hour hotline for runaway and homeless youth; family support and parent education services; shelters for women and their children who are victims of domestic violence; 24-hour hotline for victims of domestic violence; counseling for the victims and perpetrators of domestic violence and their children; supervised visitation services; specialized foster care; home visiting; community development; prevention services; and advocacy.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Child, Inc. have been prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC"), Child, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Child, Inc. is required to present a statement of cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Child, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

In accordance with the FASB ASC, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

In accordance with the FASB ASC, investments are reported at market value. Donated securities also are reported at fair market value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

Contract Receivables

Contract receivables are stated at net realizable value. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Management's estimate of the allowance for uncollectible contract receivables is based on historical collection rates and an analysis of the collectability of individual receivables. The allowance for uncollectible accounts was \$0 as of December 31, 2014 and 2013.

Income Taxes

Child, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Child, Inc.'s tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in Child, Inc.'s tax returns. Management has determined that Child, Inc. does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Child, Inc.'s tax returns will not be challenged by the taxing authorities and that Child, Inc. will not be subject to additional tax, penalties, and interest as a result of such challenge. Income tax returns of Child, Inc. for 2012, 2013, and 2014 are subject to examination by tax authorities, generally for three years after they were filed.

Donated Materials and Services

Donated materials and equipment are recorded as contributions at their fair market value at the date of receipt. Child, Inc. received \$0 in donated assets in 2014 and 2013. In addition, a number of volunteers have donated significant amounts of their time to Child, Inc.'s program services. Total contributed hours for 2014 and 2013 were approximately 5,000 for each year. The contributed hours have not been recognized in the financial statements since they do not meet the requirements for recognition as contributed services in accordance with the FASB ASC.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and Equipment and Depreciation

Property and equipment are stated at cost if purchased. Donated facilities and equipment are recorded at their fair market values at the date of receipt. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts, and any gains or losses on such disposition are recognized in the statement of activities.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Buildings	33 years
Building improvements	33 years
Furniture and fixtures	5 - 10 years

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Child, Inc.'s financial statements for the year ended December 31, 2013, from which the summarized information was derived.

NOTE C CONTRACTS AND GRANTS FROM GOVERNMENTAL AGENCIES

Child, Inc., in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit, and final approval by the contracting agency.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D INVESTMENTS

Fair values of assets measured on a recurring basis at December 31, 2014 and 2013 are as follows:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2014</u>			
Equity mutual fund - small cap stocks	\$2,747,973	\$2,747,973	\$ -
Equity mutual funds - mid cap and large cap stocks	2,655,093	2,655,093	-
U.S. Treasury notes	414,536	414,536	-
U.S. Agency bonds	285,030	285,030	-
Corporate bonds and notes	515,745	515,745	-
Certificates of deposit	101,048	-	101,048
Total	<u>\$6,719,425</u>	<u>\$6,618,377</u>	<u>\$ 101,048</u>

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2013</u>			
Equity mutual fund - small cap stocks	\$2,881,211	\$2,881,211	\$ -
Equity mutual funds - mid cap and large cap stocks	736,284	736,284	-
Bond mutual fund	1,881,678	1,881,678	-
U.S. Treasury notes	279,897	279,897	-
U.S. Agency bonds	295,760	295,760	-
Corporate bonds and notes	394,614	394,614	-
Certificates of deposit	354,243	-	354,243
Total	<u>\$6,823,687</u>	<u>\$6,469,444</u>	<u>\$ 354,243</u>

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2014 and 2013, temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Sarah's House - Shelter for Women	\$ 169,924	\$ 177,652
Domestic Violence	389,325	177,635
Parent Education	86,680	91,406
Sparrow Run Resource Center	38,214	29,237
Runaway and Homeless Youth	23,223	25,401
Governor Terry Home	3,577	163
Project PRIDE	47,495	48,542
Project Connect	5,303	-
Helping Children Heal	33,396	33,396
Specialized Foster Care	21	21
Specialized Foster Care - Toys for Domestic Violence Shelters	-	1,000
Victims Advocacy	79,243	87,545
Domestic Violence Shelters	20,000	20,000
Services to Lexington Green	12,077	13,336
Capital needs	53,900	75,000
Emergency Shelter Services	-	600
Youth Development Program	749	115
Kid's Place at Sparrow Run	35,000	-
	<u>\$ 998,127</u>	<u>\$ 781,049</u>

NOTE F ADVERTISING EXPENSE

Child, Inc. expenses the production costs of advertising when incurred. For the years ended December 31, 2014 and 2013, \$1,130 and \$16,178, respectively, were reported as advertising expense.

NOTE G LEASESOperating Leases

Child, Inc. leases office space primarily for the Family Support/Parent Education program. One lease is paid by Child, Inc. on a month-by-month basis with no further commitment, and the other lease is for a one-year period expiring on July 31, 2015. Rent expense totaled \$21,362 and \$12,628 for the years ended December 31, 2014 and 2013, respectively. The future obligations under this lease are as follows:

Year Ending December 31,

2015	<u>\$ 8,750</u>
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CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G LEASES (cont'd)

In April 2011, Child, Inc. entered into a lease agreement for a copier. The lease is for 60 months ending in April 2016. Monthly payments on this lease are \$716. The total future obligations under this lease are as follows:

Year Ending December 31,

2015	\$ 8,598
2016	<u>2,866</u>
Total	<u>\$ 11,464</u>

Copier lease expense totaled \$8,598 for both 2014 and 2013.

NOTE H PENSION PLAN

Child, Inc. has a defined contribution pension plan which covers those employees working at least 1,000 hours, are age 21 and older, and have completed 12 months of continuous employment. Each year, Child, Inc. decides on the amount of money to be contributed to the plan. Contributions for 2014 and 2013 were 10 percent of annual salary plus 4.3 percent on the excess over \$30,000 annual salary. Pension expense for 2014 and 2013 was \$206,182 and \$174,943, respectively.

NOTE I CONCENTRATION OF CREDIT RISK

Child, Inc. maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000 as of December 31, 2014 and 2013. Child, Inc. has not experienced any losses in such accounts. At December 31, 2014, \$384,223 of the Organization's \$669,714 bank balance was subject to custodial credit risk. At December 31, 2013, \$195,274 of the Organization's \$480,730 bank balance was subject to custodial credit risk.

NOTE J LINE OF CREDIT

In 2010, Child, Inc. obtained a \$100,000 unsecured line of credit with M&T Bank. The line of credit bears interest at the floating national commercial rate plus two percent (six percent at December 31, 2014 and 2013). Child, Inc. did not have an outstanding balance as of December 2014 and 2013.

CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE K

SUBSEQUENT EVENTS

Child, Inc. has evaluated all subsequent events through April 22, 2015, the date the financial statements were available to be issued.

CHILD, INC.

SINGLE AUDIT SUPPLEMENT

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

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www.btcpa.com

April 22, 2015

To the Board of Directors
Child, Inc.
Wilmington, Delaware

We have audited, in accordance with the 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, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 April 22, 2015.

Internal Control Over Financial Reporting

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

To the Board of Directors
Child, Inc.

Compliance and Other Matters

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

Purpose of this Report

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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April 22, 2015

To the Board of Directors
Child, Inc.
Wilmington, Delaware

Report on Compliance for Each Major Federal Program

We have audited Child, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Child, Inc.'s major federal program for the year ended December 31, 2014. Child, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Child, Inc.'s major federal program 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 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 Child, Inc.'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 the major federal program. However, our audit does not provide a legal determination of Child, Inc.'s compliance.

To the Board of Directors
Child, Inc.

Opinion on Each Major Federal Program

In our opinion, Child, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Child, Inc. 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 Child, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Child, Inc.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

CHILD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR / PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (TEMPORARILY RESTRICTED) REVENUE AT 01/01/14	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (TEMPORARILY RESTRICTED) REVENUE AT 12/31/14
U.S. Department of Health and Human Services Runaway and Homeless Youth Program Total CFDA #93.623	D	93.623	03/01/14 - 02/29/15	\$ 67,185	\$ 44,208 44,208	\$ -	\$ 50,342 50,342	\$ 50,342 50,342	\$ 6,134 6,134
Passed through State of Delaware Criminal Justice Council Sarah's House Domestic Violence Shelter Program	I	16.575	11/01/12 - 10/31/13	213,314	14,996	14,996	-	-	-
Sarah's House Domestic Violence Shelter Program	I	16.575	11/01/13 - 10/31/14	214,592	214,592	37,356	177,236	177,236	-
Sarah's House Domestic Violence Shelter Program	I	16.575	11/01/14 - 10/31/15	216,583	-	-	38,043	38,043	38,043
Coordinating Statewide Domestic Violence Advocacy Centers in Family Court	I	16.575	10/01/13 - 09/30/14	88,799	88,799	21,534	67,265	67,265	-
Coordinating Statewide Domestic Violence Advocacy Centers in Family Court	I	16.575	10/01/14 - 09/30/15	88,799	-	-	22,288	22,288	22,288
Enhancing Services to Domestic Violence Shelters and DFS - Phase II	I	16.575	10/01/13 - 09/30/15	48,397	48,397	12,509	35,888	35,888	-
Enhancing Services to Domestic Violence Shelters and DFS - Phase II	I	16.575	10/01/14 - 09/30/15	55,000	-	-	13,830	13,830	13,830
Total CFDA #16.575					366,784	86,395	354,550	354,550	74,161
Statewide Domestic Violence Advocacy Centers in Family Court	I	16.588	08/01/13 - 07/31/14	122,562	103,416	34,267	69,149	69,149	-
Statewide Domestic Violence Advocacy Centers in Family Court	I	16.588	08/01/14 - 07/31/15	122,562	17,711	-	51,181	51,181	33,470
Total CFDA #16.588					121,127	34,267	120,330	120,330	33,470
Community Based Outreach Services for Victims of Domestic Violence	I	93.671	10/01/13 - 09/30/14	65,764	65,764	18,024	47,740	47,740	-
Community Based Outreach Services for Victims of Domestic Violence	I	93.671	10/01/14 - 09/30/15	65,764	-	-	18,119	18,119	18,119
Community Based Bilingual Legal Advocate	I	93.671	10/01/13 - 09/30/14	19,805	19,805	6,055	13,750	13,750	-
Community Based Bilingual Legal Advocate	I	93.671	10/01/14 - 09/30/15	19,805	-	-	4,539	4,539	4,539
Division of Family Services Liason - Beech Street	I	93.671	10/01/13 - 09/30/14	56,579	56,579	12,712	43,867	43,867	-
Division of Family Services Liason - Beech Street	I	93.671	10/01/14 - 09/30/15	64,162	-	-	17,333	17,333	17,333
Core Shelter Services for Domestic Violence Victims	I	93.671	10/01/13 - 09/30/14	213,834	213,834	53,074	160,760	160,760	-
Core Shelter Services for Domestic Violence Victims	I	93.671	10/01/14 - 09/30/15	217,912	-	-	47,637	47,637	47,637
Total CFDA #93.671					355,982	89,865	353,745	353,745	87,628

Continued on next page.

CHILD, INC.
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR / PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (TEMPORARILY RESTRICTED) REVENUE AT 01/01/14	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (TEMPORARILY RESTRICTED) REVENUE AT 12/31/14
RISES Program	S	N/A	08/01/13 - 05/31/14	64,500	58,581	22,473	36,108	36,108	-
RISES Program	S	N/A	06/01/14 - 07/31/14	25,500	25,500	-	25,500	25,500	22,499
RISES Program	S	N/A	09/01/14 - 08/31/15	90,000	6,854	-	29,353	29,353	-
Community Crisis Assistance for Domestic Violence Victims	S	N/A	05/01/13 - 04/30/14	68,941	42,426	17,380	25,046	25,046	-
Total State of Delaware Criminal Justice Council					977,254	250,380	944,632	944,632	217,758
State of Delaware Department of Services for Children, Youth, and their Families: Division of Family Services									
Statewide Parent Education Program	S	N/A	07/01/13 - 06/30/14	126,870	-	(62,340)	-	62,340	-
Statewide Parent Education Program	S	N/A	07/01/14 - 06/30/15	126,870	126,870	-	126,870	63,940	(62,930)
Sparrow Run Resource Center	S	N/A	07/01/13 - 06/30/14	53,830	53,830	(29,160)	-	29,160	-
Sparrow Run Resource Center	S	N/A	07/01/14 - 06/30/15	53,830	53,830	-	53,830	22,185	(31,645)
Sparrow Run Resource Center Garden	S	N/A	07/01/12 - 06/30/14	5,000	-	(77)	-	8	(69)
Sparrow Run Resource Kids Place	S	N/A	07/01/14 - 06/30/15	14,000	14,000	-	14,000	7,500	(6,500)
Governor Terry Children's Center	S	N/A	07/01/13 - 06/30/14	630,499	404,634	64,266	340,368	340,368	-
Governor Terry Children's Center	S	N/A	07/01/14 - 06/30/15	630,499	218,155	-	276,311	276,311	58,156
Specialized Foster Care	S	N/A	07/01/13 - 06/30/14	529,684	234,422	35,721	198,701	198,701	-
Specialized Foster Care	S	N/A	07/01/14 - 06/30/15	529,684	155,390	-	179,613	179,613	24,223
Total State of Delaware Department of Services for Children, Youth, and their Families					1,207,301	8,410	1,189,693	1,180,126	(18,765)
State of Delaware Department of Health and Social Services									
Services to Lexington Green Community	S	N/A	07/01/13 - 06/30/14	23,300	-	(13,336)	-	13,336	-
Services to Lexington Green Community	S	N/A	07/01/14 - 06/30/15	23,533	23,500	-	23,500	11,423	(12,077)
Emergency Housing	S	N/A	07/01/13 - 06/30/14	49,450	31,380	5,779	25,601	25,601	-
Emergency Housing	S	N/A	07/01/14 - 09/30/15	49,945	19,210	-	24,760	24,760	5,550
Family Visitation Centers	S	N/A	07/01/13 - 06/30/14	190,791	114,992	17,405	97,587	97,587	-
Family Visitation Centers	S	N/A	07/01/14 - 06/30/15	192,699	78,419	-	96,942	96,942	18,523
Total State of Delaware Department of Health and Social Services					267,501	9,848	268,390	269,649	11,996
State of Delaware Grant-in-Aid									
Family Support and Parent Education	S	N/A	07/01/13 - 06/30/14	132,000	66,000	-	66,000	66,000	-
Family Support and Parent Education	S	N/A	07/01/14 - 06/30/15	138,000	69,000	-	69,000	69,000	-
Total State of Delaware Grant-in-Aid					135,000	-	135,000	135,000	-
State of Delaware Department of Justice									
Domestic Violence Program	S	N/A	07/01/13 - 06/30/14	797,700	398,850	(5,063)	398,850	403,913	-
Domestic Violence Program	S	N/A	07/01/14 - 06/30/15	797,700	598,275	-	598,275	383,912	(214,363)
Total State of Delaware Department of Justice					997,125	(5,063)	997,125	787,825	(214,363)

Continued on next page.

CHILD, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards and certain state grants are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards and certain state grants reflects federal and state expenditures for all individual grants which were active during the fiscal year.

NOTE C ACCRUED (TEMPORARILY RESTRICTED) REVENUE

The net balance of accrued (temporarily restricted) revenue is reflected in the financial statements of Child, Inc. as follows:

Contracts receivable	\$ 367,872	
Less nongrant contracts receivable	<u>(36,527)</u>	
Contracts receivable		\$ 331,345
Temporarily restricted net assets:		
Grant-related restrictions		<u>(327,584)</u>
Total Accrued Revenue		<u>\$ 3,761</u>

CHILD, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CHILD, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes No

Identification of major program:

CFDA Number

16.575

Name of Federal Program or Cluster

Victims of Crime Assistance (VOCA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

CHILD, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.