

Financial Statements

SCAN, INC.

*Years ended September 30, 2023 and 2022
with Independent Auditor's Report*

SCAN, Inc.

Financial Statements

Years ended September 30, 2023 and 2022

Contents

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8



Independent Auditor's Report

Board of Directors
SCAN, Inc.

Opinion

We have audited the accompanying financial statements of SCAN, Inc. (SCAN) which comprise the statements of financial position as of September 30, 2023 and 2022 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCAN, Inc. as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCAN, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt SCAN, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SCAN, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCAN, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Haines, Lemberger & Skiba, LLC

January 12, 2024
Fort Wayne, IN

SCAN, Inc.

Statements of Financial Position

	September 30	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$1,280,898	\$ 1,572,728
Investments	915,050	821,996
Government grants receivable, less allowance of \$26,364 and \$0 for 2023 and 2022, respectively	1,781,289	1,662,688
Pledges receivable, current portion	1,732,921	95,400
Prepaid expenses and other current assets	151,648	135,243
Total current assets	5,861,806	4,288,055
Property and equipment:		
Land and land improvements	208,744	208,744
Building	1,752,345	1,752,345
Office equipment and furnishings	1,415,797	1,415,797
Software	28,776	29,003
	3,405,662	3,405,889
Less accumulated depreciation	2,771,906	2,627,017
Total property and equipment, net	633,756	778,872
Other assets:		
Beneficial interest in perpetual trust	212,540	199,253
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	250,567	213,403
Pledges receivable, less current portion	100,000	-
Notes receivable	2,566,478	2,566,478
Notes receivable from employees	-	3,083
Right of use assets—operating leases	145,527	-
Total other assets	3,275,112	2,982,217
Total assets	\$9,770,674	\$ 8,049,144
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 285,721	\$ 341,987
Accrued expenses	536,043	330,662
Deferred revenue	-	5,616
Current portion of capital lease obligations	19,450	20,064
Operating lease liability, current portion	78,377	-
Total current liabilities	919,591	698,329
Noncurrent liabilities:		
Capital lease obligations, less current portion	1,665	19,554
Operating lease liability, long-term	67,150	-
Deferred grant revenue	2,027,389	2,027,389
Total noncurrent liabilities	2,096,204	2,046,943
Net assets:		
Without donor restrictions:		
Undesignated	4,853,043	4,882,019
Designated by the Board for endowment	226,999	202,600
	5,080,042	5,084,619
With donor restriction	1,674,837	219,253
Total net assets	6,754,879	5,303,872
Total liabilities and net assets	\$ 9,770,674	\$ 8,049,144

See accompanying notes.

SCAN, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income						
Contributions	\$ 1,268,552	\$ 1,467,697	\$ 2,736,249	\$ 1,096,279	\$ 15,000	\$ 1,111,279
Government grants:						
Child Welfare Services, county and state	3,062,358	-	3,062,358	3,257,437	-	3,257,437
Healthy Families	2,474,201	-	2,474,201	2,532,651	-	2,532,651
Community Partners for Child Safety	5,602,570	-	5,602,570	5,291,044	-	5,291,044
WorkOne (Be Someone Now)	-	-	-	241,139	-	241,139
Program fees	84,100	-	84,100	87,395	-	87,395
In-kind contributions	111,739	-	111,739	114,545	-	114,545
Net investment return	93,054	-	93,054	(225,360)	-	(225,360)
Change in value of beneficial interests	37,164	13,287	50,451	(31,674)	(69,214)	(100,888)
Miscellaneous	3,224	-	3,224	16,022	-	16,022
Total revenue, support, and other income before net assets released from restrictions	12,736,962	1,480,984	14,217,946	12,379,478	(54,214)	12,325,264
Net assets released from restrictions	25,400	(25,400)	-	-	-	-
Total revenue, support, and other income	12,762,362	1,455,584	14,217,946	12,379,478	(54,214)	12,325,264
Expenses						
Program services:						
Family Preservation Services	2,483,060	-	2,483,060	2,985,305	-	2,985,305
Family Connections	349,602	-	349,602	295,696	-	295,696
Healthy Families	2,154,759	-	2,154,759	2,022,097	-	2,022,097
Community Partners for Child Safety	4,331,967	-	4,331,967	3,358,270	-	3,358,270
Community Partners for Child Safety Local Prevention	644,020	-	644,020	801,326	-	801,326
WorkOne (Be Someone Now)	-	-	-	192,199	-	192,199
Daybreak Crisis Homes	83,930	-	83,930	74,798	-	74,798
Other	345,459	-	345,459	196,422	-	196,422
Total program services	10,392,797	-	10,392,797	9,926,113	-	9,926,113
Support services:						
Management and general	1,572,565	-	1,572,565	3,323,423	-	3,323,423
Fundraising	801,577	-	801,577	499,132	-	499,132
Total support services	2,374,142	-	2,374,142	3,822,555	-	3,822,555
Total expenses	12,766,939	-	12,766,939	13,748,668	-	13,748,668
Increase (decrease) in net assets	(4,577)	1,455,584	1,451,007	(1,369,190)	(54,214)	(1,423,404)
Net assets at beginning of year	5,084,619	219,253	5,303,872	6,453,809	273,467	6,727,276
Net assets at end of year	\$ 5,080,042	\$ 1,674,837	\$ 6,754,879	\$ 5,084,619	\$ 219,253	\$ 5,303,872

See accompanying notes.

SCAN, Inc.

Statement of Functional Expenses

Year ended September 30, 2023

	Program Services							Support Services				Total Expenses
	Family Preservation Services	Family Connections	Healthy Families	Community Partners			Total Program Services	Management and General	Fundraising	Total Support Services		
				Partners for Child Safety	for Child Prevention	Daybreak Crisis Homes						
Salaries	\$ 1,578,713	\$ 237,596	\$ 1,415,182	\$ 1,440,530	\$ -	\$ 45,078	\$ 176,913	\$ 4,894,012	\$ 899,100	\$ 344,490	\$ 1,243,590	\$ 6,137,602
Payroll taxes	120,265	18,392	107,541	109,689	-	3,330	13,300	372,517	64,351	26,062	90,413	462,930
Employee benefits	285,302	32,847	296,892	258,822	-	17,324	30,072	921,259	123,784	42,524	166,308	1,087,567
Contract services	30,529	22,489	79,921	1,671,280	562,520	10,863	-	2,377,602	18,774	300	19,074	2,396,676
Program expenses	-	6,559	475	124,025	-	40	87	131,186	-	78,846	78,846	210,032
Professional fees	1,727	-	169	2,080	45,491	-	238	49,705	94,329	17,248	111,577	161,282
Supplies and materials	4,493	5,913	30,940	111,315	30,148	371	79,247	262,427	87,003	57,663	144,666	407,093
Printing and publications	21,591	2,901	21,711	70,322	-	1,689	1,390	119,604	6	23,680	23,686	143,290
Occupancy	77,355	-	-	72,779	-	-	-	150,134	80,024	10,205	90,229	240,363
Information technology	60,012	10,899	63,651	134,923	-	1,977	5,426	276,888	5,967	8,793	14,760	291,648
Conferences and training	30,736	1,277	10,867	115,578	5,861	770	4,255	169,344	921	2,433	3,354	172,698
Insurance	29,374	3,919	25,300	48,827	-	779	1,337	109,536	4,079	2,924	7,003	116,539
Support for CHILL, Inc.	-	-	-	-	-	-	28,351	28,351	-	-	-	28,351
Repairs and maintenance	3,786	536	4,641	15,898	-	144	457	25,462	682	254	936	26,398
Travel	178,950	1,409	42,164	76,274	-	465	1,912	301,174	555	4,901	5,456	306,630
Minor equipment purchases and rent expense	-	-	-	-	-	-	-	-	88,085	-	88,085	88,085
Other	26,360	-	19,365	8,161	-	-	-	53,886	99,536	177,837	277,373	331,259
Total expenses before depreciation and interest expense	2,449,193	344,737	2,118,819	4,260,503	644,020	82,830	342,985	10,243,087	1,567,196	798,160	2,365,356	12,608,443
Depreciation expense	31,077	4,451	33,011	65,643	-	1,011	2,282	137,475	4,332	3,081	7,413	144,888
Interest expense and bank fees	2,790	414	2,929	5,821	-	89	192	12,235	1,037	336	1,373	13,608
Total expenses	\$ 2,483,060	\$ 349,602	\$ 2,154,759	\$ 4,331,967	\$ 644,020	\$ 83,930	\$ 345,459	\$ 10,392,797	\$ 1,572,565	\$ 801,577	\$ 2,374,142	\$ 12,766,939

See accompanying notes.

SCAN, Inc.

Statement of Functional Expenses

Year ended September 30, 2022

	Program Services								Support Services			Total Expenses	
	Family Preservation Services	Family Connections	Healthy Families	Community Partners for Child Safety	Partners for Child Safety Local Prevention	WorkOne (Be Someone Now)	Daybreak Crisis Homes	Other	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries	\$ 2,069,659	\$ 232,998	\$ 1,488,652	\$ 977,222	\$ -	\$ 154,499	\$ 32,637	\$ 127,854	\$ 5,083,521	\$ 1,371,496	\$ 249,988	\$ 1,621,484	\$ 6,705,005
Payroll taxes	155,239	17,727	112,013	74,249	-	11,472	2,435	9,678	382,813	104,483	18,867	123,350	506,163
Employee benefits	360,485	19,183	275,480	138,942	-	8,660	16,195	19,184	838,129	250,785	28,516	279,301	1,117,430
Contract services	35,602	9,465	41,744	1,670,742	653,083	266	21,147	1,900	2,433,949	78,401	3,420	81,821	2,515,770
Program expenses	6,736	-	550	126,379	-	-	45	95	133,805	-	56,180	56,180	189,985
Professional fees	378	271	51	142	52,953	-	-	25	53,820	65,994	1,800	67,794	121,614
Supplies and materials	35,688	4,235	42,977	78,571	21,756	1,535	1,083	9,575	195,420	123,519	61,099	184,618	380,038
Printing and publications	1,449	835	1,704	34,936	309	463	370	86	40,152	117,173	25,540	142,713	182,865
Occupancy	67,596	504	-	77,074	250	-	-	10	145,434	85,363	10,124	95,487	240,921
Information technology	50,093	1,942	-	4,328	-	(30)	-	221	56,554	530,320	12,373	542,693	599,247
Conferences and training	21,044	3,401	16,141	72,045	72,090	7,782	45	-	192,548	81,137	16,383	97,520	290,068
Insurance	-	-	-	-	-	-	-	-	-	99,354	-	99,354	99,354
Support for CHILL, Inc.	-	-	-	-	-	-	-	25,000	25,000	-	-	-	25,000
Repairs and maintenance	1,260	-	-	5,845	-	-	-	-	7,105	36,915	-	36,915	44,020
Travel	176,792	1,148	37,939	58,788	-	7,452	796	2,288	285,203	15,600	3,708	19,308	304,511
Minor equipment purchases and rent expense	2,989	56	-	6,426	-	-	-	-	9,471	89,210	185	89,395	98,866
Other	295	3,729	4,846	32,581	885	100	45	506	42,987	86,899	10,769	97,668	140,655
Total expenses before depreciation and interest expense	2,985,305	295,494	2,022,097	3,358,270	801,326	192,199	74,798	196,422	9,925,911	3,136,649	498,952	3,635,601	13,561,512
Depreciation expense	-	-	-	-	-	-	-	-	-	172,079	-	172,079	172,079
Interest expense and bank fees	-	202	-	-	-	-	-	-	202	14,695	180	14,875	15,077
Total expenses	<u>\$ 2,985,305</u>	<u>\$ 295,696</u>	<u>\$ 2,022,097</u>	<u>\$ 3,358,270</u>	<u>\$ 801,326</u>	<u>\$ 192,199</u>	<u>\$ 74,798</u>	<u>\$ 196,422</u>	<u>\$ 9,926,113</u>	<u>\$ 3,323,423</u>	<u>\$ 499,132</u>	<u>\$ 3,822,555</u>	<u>\$ 13,748,668</u>

See accompanying notes.

SCAN, Inc.

Statements of Cash Flows

	Year ended September 30	
	2023	2022
Operating activities		
Increase (decrease) in net assets	\$ 1,451,007	\$ (1,423,404)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	144,888	172,079
Provision for bad debts	26,364	-
Realized and unrealized (gain) loss on investments, net	(63,973)	373,033
Loss on disposal of property and equipment	228	-
Changes in operating assets and liabilities:		
Government grants receivable	(144,965)	390,967
Pledges receivable	(1,737,521)	(65,341)
Prepaid expenses and other current assets	(16,405)	(27,089)
Beneficial interests	(50,451)	93,338
Accounts payable	(56,266)	(9,965)
Accrued expenses	205,381	(51,650)
Deferred grant revenues	(5,616)	(6,983)
Net cash used in operating activities	(247,329)	(555,015)
Investing activities		
Purchases of property and equipment	-	(12,217)
Purchase of investments	(453,595)	(1,053,949)
Proceeds from sale and maturities of investments	424,514	906,394
Payments received on notes receivable from employees	3,083	584
Issuance of notes receivable	-	(89,584)
Net cash used in investing activities	(25,998)	(248,772)
Financing activity —payments on capital lease obligations	(18,503)	(17,603)
Decrease in cash and cash equivalents	(291,830)	(821,390)
Cash and cash equivalents at beginning of year	1,572,728	2,394,118
Cash and cash equivalents at end of year	\$ 1,280,898	\$ 1,572,728

See accompanying notes.

SCAN, Inc.

Notes to Financial Statements

September 30, 2023

1. Organization

SCAN, Inc. (SCAN) was established in the state of Indiana. SCAN's mission is:

SCAN protects children, prepares parents, strengthens families and educates our community to Stop Child Abuse and Neglect.

SCAN has two primary service areas: Prevention and Family Preservation. The Prevention programs include Healthy Families, Community Partners for Safe Families, Family Connections, Be SomeOne Now, and Daybreak Crisis Homes. The Preservation programs include Home-Based Family Centered Case Management, Homemaker Services, Visitation Facilitation, Fatherhood, Home-Based Family Centered Services, Family Preservation Services, Trauma Focused Cognitive Behavioral Therapy, and Family Centered Treatment.

Family Prevention Services (Bachelor's level staff)

Healthy Families—The Healthy Families program helps prevent abuse and neglect by working one-on-one with overwhelmed families that are struggling to balance raising children with life's demands. Targeted to help parents of newborn children, Healthy Families enrolls parents during pregnancy or immediately after the birth of their child or within 3 months of child's birth. Most parents are screened in the hospital, if the family meets the program criteria, they are enrolled in the program. One-on-one, in-home services begin weekly and can last one to three years. The Healthy Families program works with parents to teach child development and age-appropriate expectations of children, to assist parents in building a strong network of support from family, neighbors, and churches; to help parents develop budgeting, time-management, and stress-management skills to better balance parenting and home-management, and to link families to community resources for health care, financial aid, food, housing, school-readiness, child care, job training, substance-abuse treatment, and other mental health assistance.

Family Connections—Family Connections offers programs to help people address conflict and changing family situations due to a divorce, separation, or paternity issues. Programs include Co-parenting workshops/classes, Kids & Divorce workshops, Parenting Coordination, Supervised Parenting Time, and Conflict groups. Some of these programs require a judge's order and/or stipulation; others are completely voluntary. Within Family Connections, SCAN offers therapeutic counseling services along with therapeutic visitation facilitation for visiting parents and their children. In July, SCAN expanded the Family Connections program to include Domestic Violence Services for victims and children, as well as Batterer's Intervention Services.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Community Partners for Child Safety—The Community Partners for Child Safety is a statewide initiative designed to help families before they cross the line into abuse or neglect. Through the Community Partners programs, SCAN works with other local social service agencies to offer caregivers help with situations that are interfering with their ability to manage their families. The goal of these programs is to provide families with in-home, one-on-one services that strengthen the family, and prevent child abuse or neglect. Community Partners services are offered by expert providers in every county it serves. Services include support, education, and advocacy in areas such as parenting and discipline, housing, employment, medical follow up, budgeting, and school issues. In addition, SCAN also contracts with and supervises various prevention programs in each county through Local Prevention Dollars to address specific needs in each community. The Network serves families living in Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley Counties. Community Partners offers help to families living in Cass, Elkhart, Fulton, Howard, Kosciusko, Marshall, Miami, St. Joseph, and Wabash Counties.

Daybreak Crisis Homes—SCAN's Daybreak Crisis Homes offers emergency short-term care for Allen County children whose parents are in crisis and have no one else to care for their children. Primarily serving newborns and children to 10 years of age, Daybreak can also accept older siblings. Children of other ages are approved on a case-by-case basis.

Family Preservation (Paraprofessional & Bachelor's level staff)

Home-Based Casework & Homemaker Services

These are services for parents to deter any further incidents of child abuse and neglect. The referrals are made by the Indiana Department of Child Services (DCS). Paraprofessional (Homemaker) and Bachelor-level staff (Home-Based Casework) provide in-home, high quality, family centered casework services to parents to enhance family resilience, support nurturing relationships, and create a safe physical environment for the family. Service includes crisis response that comprise assessment and goal planning to meet the complex needs of families. Ongoing services are provided to ensure safety in the home. Frequency of visits is determined by the needs of the family and DCS.

Visitation Facilitation

This is a service for children that have been removed from the family due to an incident of child abuse or neglect and their parents. The referrals are made by DCS. This service occurs at SCAN's offices, a client's home, or in a public venue. The goal of a visitation is to keep the child(ren) safe while improving resilience within the family. This program plays a crucial role in establishing or improving the bond between children and their families. Frequency of visits are determined by the needs of the family and DCS. Typically families have visits at least weekly for two hours per week.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Fatherhood

This is a service for fathers to assist with co-parenting and connecting with their children. The referrals are made by DCS. This service occurs in a SCAN facility, the client's home, or in a public venue. The goal of this program is to engage fathers with their children. Services are focused on parent education using 24/7 DAD's curriculum or nurturing parenting. Fathers are linked to services needed to address mental health, medical, probation/parole, housing, employment, education, financial, and relationship needs. Frequency of visits are determined by the needs of the family and DCS. Typically families have visits at least weekly for 1.5 to 2.0 hours per week.

Family Preservation (Master's level staff)

Home-Based Family Centered Therapy & Counseling

This is a service for children and parents to assist with dealing with the trauma of abuse or neglect. The referrals are made by DCS or Juvenile Probation. A home- or office-based service facilitated by a clinician that provides high-quality, individualized, structured, goal-focused interventions for families recovering from abuse and neglect. Frequency of visits is determined by the needs of the family and DCS.

Trauma-Focused Cognitive Behavioral Therapy

This is a service for children who have been physically, sexually, and/or emotionally abused or exposed to trauma and parents and caregivers who did not participate in the abuse. The referrals are made by DCS. This is an evidence-based highly collaborative therapeutic intervention model designed to help children and their parents overcome the negative effects of traumatic life events by having them work together with a clinician and case manager to identify common goals and attain them.

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Family Centered Treatment: Comprehensive Service

This is a comprehensive service for families impacted by child abuse and neglect. The referrals are made by DCS or Juvenile Probation. This is an evidence-based, family-centered treatment approach designed to preserve the family unit. Family Centered Treatment provides intensive home-based therapy, case management, and crisis intervention. This service requires a minimum of five hours of face to face time per family per week by a licensed Master's level Professional. The family is served for a minimum of six months.

Family Preservation Service: Comprehensive Service

Family Preservation Services is designed for families with a substantiated case of abuse or neglect that DCS believes could safely care for their children with appropriate assistance and support in the home. Family Preservation Services include assessment of the child/parent/family resulting in appropriate services that are based on the family's needs. The clear goal for these services is to preserve the family and avoid the trauma of removal for the child, provided it is safe for them to remain with their identified caregiver. Services are provided in the home, are comprehensive in nature, require a master's degree professional and a bachelor's degree professional to provide both therapeutic intervention and case management support. Services are intensive and nature, with required weekly safety checks.

**Comprehensive services are the fastest growing sector for SCAN, the service line is reimbursed on a per diem rate.

Fairfield Community Home GP, LLC

SCAN is the sole corporate member of Fairfield Community Home GP, LLC which is a general partner (.01 percent interest) in Fairfield Community Home, LP. Fairfield Community Home, LP is an Indiana limited partnership that was established for the purpose of constructing and operating a 36-unit affordable residential rental housing project in Fort Wayne, Indiana known as Fairfield Community Home (also known as The Courtyard of Fort Wayne) (Project).

Funding for the approximately \$8.7 million Project was provided in part from proceeds received by SCAN from the Indiana Housing and Community Development Authority (IHCDA), City of Fort Wayne, and Affordable Housing Program (AHP) funds passed through the Federal Home Loan Bank of Indianapolis that were loaned to the Limited Partnership. These loans are secured by the real estate and the assignment of rents and security deposits. The funds received by SCAN were loaned to the Limited Partnership for a term of 30 years (see *Note 8*).

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Fairfield Community Home GP, LLC (continued)

SCAN is a secondary guarantor on loans for the Project, which has a loan balance as of September 30, 2023 of \$739,846. As the general partner, Fairfield Community Home GP, LLC is responsible to contribute funds, as a contribution of capital, to cover operating deficits, if any, of the Project. As of September 30, 2023, no additional capital contributions have been required.

Due to SCAN's limited control in Fairfield Community Home, LP, and due to the substantive participating rights of the limited partner, management has determined that consolidation of its financial information is not required.

Neighborhood Homes & Apts GP, LLC

SCAN is the sole corporate member of Neighborhood Homes & Apts GP, LLC which is a general partner (.01 percent interest) in Neighborhood Homes & Apts, LP. Neighborhood Homes & Apts, LP is an Indiana limited partnership that was established for the purpose of constructing and operating affordable residential rental housing projects in Fort Wayne and Columbia City, Indiana (NH Project).

SCAN was gifted certain real estate by the city of Columbia City which it then sold to Neighborhood Homes & Apts, LP in exchange for a note receivable of \$539,100 (see *Note 8*). This note is to be repaid from cash flows from the NH Project and is first in line in the waterfall for repayment.

Due to SCAN's limited control in Neighborhood Homes & Apts, LP and due to the substantive participating rights of the limited partner, management has determined that consolidation of its financial information is not required.

Income Taxes

SCAN is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code, and qualifies for the charitable contribution deduction. SCAN has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. SCAN is also exempt from state income taxes.

However, SCAN is subject to federal income tax on any unrelated business taxable income. SCAN provides liabilities for uncertain income tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions that

SCAN, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Income Taxes (continued)

should be recognized, measured, or disclosed in the financial statements. Management believes SCAN is no longer subject to examination by taxing authorities for the years before September 30, 2019.

2. Significant Accounting Policies

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents except those short-term investments managed as part of long-term investment strategies. SCAN maintains cash accounts at local financial institutions. From time to time during the year, SCAN's cash accounts exceeded federally insured limits.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, SCAN's investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investments expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 7* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for building and equipment that has been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of

SCAN, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

September 30, 2023 and 2022. Property and equipment with a cost of \$5,000 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	10 years
Building	25 years
Office equipment and furnishings	3 – 7 years

Expenditures for normal repairs and maintenance are expensed when incurred.

Leases

SCAN determines if an arrangement is a lease at contract inception. Arrangements that are leases with an initial term of 12 months or less are not recorded in the statement of financial position, and SCAN recognizes lease expense on a straight-line basis over the lease term. SCAN has elected to not separate lease and non-lease components for all leases; rather, lease and non-lease components are accounted for as a single combined lease component. If leased assets have leasehold improvements, the depreciable life of those leasehold improvements are limited by the expected lease term.

If provided, SCAN uses the implicit discount rate in its lease agreements in determining the present value of the lease payments. If not provided in the lease agreement, SCAN uses a risk-free rate at the lease commencement date.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

Net Assets With Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed

SCAN, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

SCAN reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions and Pledges Receivable

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash are recorded at their fair market value estimated on the date of donation. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. SCAN received food donations which were used for fundraising and donations of items for individuals receiving services that were utilized in the programs.

SCAN provides an allowance for doubtful accounts, which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables. As of September 30, 2023 and 2022, no allowance for doubtful accounts was deemed necessary.

Government Grants and Concentration of Revenue and Government Grants Receivable

A portion of SCAN's revenue is derived from cost-reimbursable federal and state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SCAN has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the

SCAN, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Government Grants and Concentration of Revenue and Government Grants Receivable (continued)

statement of financial position. Grant payments and expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Approximately 78 percent and 90 percent of revenue was received from the Indiana DCS for the years ended September 30, 2023 and 2022, respectively. Program fees and grant revenue are recognized as earned as the services are performed or eligible expenditures are incurred, respectively. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The government grants were received from the Indiana DCS pursuant to programs awarded by the United States Department of Health and Human Services. Other government grants were received pursuant to programs awarded by the United States Department of Labor and Department of Housing and Urban Development.

Approximately 49 percent and 94 percent of government grants receivable as of September 30, 2023 and 2022, respectively were from the Indiana DCS.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts for the year ended September 30, 2022 have been reclassified to conform with the presentation for the year ended September 30, 2023.

SCAN, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Newly Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) ASU No. 2016-02, *Leases* (Topic 842), to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. Generally Accepted Accounting Principles (GAAP) require the asset and liability be recognized only for capital leases. SCAN adopted ASU 2016-02 and its related amendments effective October 1, 2022. As part of the implementation process, the School elected the package of practical expedients. The cumulative effect of initially applying the new standard resulted in the addition of \$196,786 of right of use assets and lease liabilities. There was no cumulative effect adjustment to the opening balance of net assets required.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Year ended September 30	
	2023	2022
Cash and cash equivalents	\$ 1,280,898	\$1,572,728
Investments, excluding endowment	688,050	619,396
Government grants receivable	1,781,289	1,662,688
Current portion of pledges receivable	1,732,921	95,400
	<u>5,483,158</u>	<u>3,950,212</u>
Less amounts restricted by donors for specific purposes	1,457,297	-
Financial assets available for general expenditures within one year	<u>\$ 4,025,861</u>	<u>\$ 3,950,212</u>

SCAN manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged. As part of SCAN's liquidity management plan, it has the policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. SCAN invests cash in excess of daily requirements in short-term investments, including savings accounts.

SCAN, Inc.

Notes to Financial Statements (continued)

3. Liquidity and Availability (continued)

SCAN does not intend to spend from its board-designated endowment; however, these amounts could be made available if necessary.

4. Pledges Receivable

Unconditional promises to give to SCAN are recorded as pledges receivable.

	September 30	
	2023	2022
Amounts due in:		
Less than one year	\$1,732,921	\$ 94,500
One to five years	100,000	-
Pledges receivable	<u>\$1,832,921</u>	<u>\$ 94,500</u>

5. Beneficial Interest in Perpetual Trust

SCAN has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, SCAN has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The estimated value of SCAN's beneficial interest in perpetual trust was \$212,540 and \$199,253 at September 30 2023 and 2022, respectively, which represents the fair market value of SCAN's proportional interest in the trust assets.

6. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$250,567 and \$213,403 at September 30, 2023 and 2022, respectively, is the result of an agreement whereby SCAN has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. SCAN may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. The beneficial interest in funds held by the Community Foundation is valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

SCAN, Inc.

Notes to Financial Statements (continued)

7. Fair Value Measurements

FASB ASC Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SCAN has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SCAN, Inc.

Notes to Financial Statements (continued)

7. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

Corporate bonds and notes: Certain corporate bonds and notes are valued at the closing price reported in the active market in which the obligation or bond is traded. Other corporate bonds and notes are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual and exchange traded funds: Valued at the net asset value (NAV) of shares held by SCAN at year-end.

Beneficial interest in perpetual trust: SCAN's proportional interest in the trust assets is valued at the fair market value of the underlying investments as reported by the investment manager at year-end.

Beneficial interest in funds held by the Community Foundation: Valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SCAN believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SCAN, Inc.

Notes to Financial Statements (continued)

7. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, SCAN's assets at fair value as of September 30, 2023 and 2022:

	Assets at Fair Value as of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 12,532	\$ -	\$ -	\$ 12,532
Mutual funds:				
Equity funds	110,913	-	-	110,913
Fixed income funds	287,705	-	-	278,705
Exchange traded funds:				
Equity funds	127,488	-	-	127,488
Fixed income funds	376,412	-	-	376,412
Total investments	915,050	-	-	915,050
Beneficial interest in perpetual trust	-	212,540	-	212,540
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	250,567	-	250,567
Total other assets at fair value	-	463,107	-	463,107
Assets at fair value	\$ 915,050	\$ 463,107	\$ -	\$ 1,378,157

	Assets at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,429	\$ -	\$ -	\$ 3,429
Mutual funds:				
Equity funds	338,415	-	-	338,415
Fixed income funds	90,414	-	-	90,414
Exchange traded funds:				
Equity funds	138,551	-	-	138,551
Fixed income funds	251,187	-	-	251,187
Total investments	821,996	-	-	821,996
Beneficial interest in perpetual trust	-	199,253	-	199,253
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	213,403	-	213,403
Total other assets at fair value	-	412,656	-	412,656
Assets at fair value	\$ 821,996	\$ 412,656	\$ -	\$ 1,234,652

SCAN, Inc.

Notes to Financial Statements (continued)

8. Notes Receivable and Deferred Grant Revenue

Notes receivable consist of the following:

	September 30	
	2023	2022
Note receivable from Fairfield Community Home, LP, payable in full plus accrued interest at a rate of 3 percent due on December 31, 2043.	\$ 427,105	\$ 427,105
Note receivable from Fairfield Community Home, LP, payable in full plus accrued interest at a rate of 3 percent due on December 31, 2043.	372,950	372,950
Note receivable from Fairfield Community Home, LP, non-interest bearing note due on July 1, 2044.	691,602	691,602
Note receivable from Fairfield Community Home, LP, non-interest bearing note due on July 1, 2044.	308,398	308,398
Note receivable from Neighborhood Homes & Apts, LP, principal and interest at 3 percent due from cash flows.	766,423	766,423
	<u>\$ 2,566,478</u>	<u>\$ 2,566,478</u>

SCAN received grants which were for construction of a two rental housing projects (see *Note 1*). SCAN loaned these funds to a related party limited partnership to help fund these projects, which are the primary purpose of these notes receivable. If SCAN terminates the Fairfield project before the investment tax credit period is over, SCAN will be required to pay back all or a portion of the grant amounts. Therefore, SCAN has deferred grant revenue in the amount of \$1,800,055 at September 30, 2023 and 2022. The initial portion of Neighborhood Homes & Apts project was not subject to compliance and was recognized in the year ended September 30, 2019. An additional amount of \$227,334 was received from the City of Fort Wayne during the year ended September 30, 2021. This amount is subject to certain compliance requirements but is forgivable in the future; therefore, this amount is included in deferred grant revenue at September 30, 2023 and 2022.

9. Endowment

SCAN's endowment (Endowment) consists of certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

SCAN's Board of Directors has interpreted the Indiana Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At September 30, 2023 and 2022, there were no such donor stipulations.

SCAN, Inc.

Notes to Financial Statements (continued)

9. Endowment (continued)

Endowment net asset composition for the year ended September 30, 2023 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	<u>\$ 226,999</u>	<u>\$ -</u>	<u>\$ 226,999</u>

Endowment net asset composition for the year ended September 30, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	<u>\$ 202,600</u>	<u>\$ -</u>	<u>\$ 202,600</u>

Changes in endowment net assets are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Year ended September 30, 2023:			
Endowment net assets at beginning of year	\$ 202,600	\$ -	\$ 202,600
Net investment return	24,399	-	24,399
Endowment net assets at end of year	<u>\$ 226,999</u>	<u>\$ -</u>	<u>\$ 226,999</u>

	Without Donor Restriction	With Donor Restriction	Total
Year ended September 30, 2022:			
Endowment net assets at beginning of year	\$ 258,305	\$ -	\$ 258,305
Net investment return	(55,705)	-	(55,705)
Endowment net assets at end of year	<u>\$ 202,600</u>	<u>\$ -</u>	<u>\$ 202,600</u>

SCAN, Inc.

Notes to Financial Statements (continued)

9. Endowment (continued)

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). SCAN has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2023 and 2022, there were no deficiencies in donor-restricted endowment funds.

Investment and Spending Policies

SCAN has adopted an investment policy for the Endowment that attempts to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. SCAN has not adopted a spending policy. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets and to cover the costs of managing the Endowment investments. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

10. Leases

SCAN leases building space as well as other equipment pursuant to various noncancelable operating and finance lease arrangements that expire at various dates. SCAN also has other leasing arrangements that are under month-to-month arrangements. Total rent expense was \$171,895 and \$170,794 for the years ended September 30, 2023 and 2022 respectively.

Assets recorded pursuant to finance lease agreements included in property and equipment consists of the following:

	September 30	
	2023	2022
Office equipment and furnishings	\$ 104,094	\$ 104,094
Less allowance for amortization	90,710	69,892
	<u>\$ 13,384</u>	<u>\$ 34,202</u>

SCAN recorded amortization expense of \$20,819 and \$51,853 for the years ended September 30, 2023 and 2022, respectively. Such amortization is included in depreciation expense for financial reporting purposes. Interest expense was \$1,561 and \$2,462 for the years ended September 30, 2023 and 2022 respectively.

SCAN, Inc.

Notes to Financial Statements (continued)

10. Leases (continued)

The weighted-average remaining lease terms and discount rates as of September 30, 2023 were as follows:

	Finance Leases	Operating Leases
Weighted-average term (years)	1.08	2.12
Weighted-average discount rate	5.00%	4.26%

Undiscounted cash flows as of September 30, 2023 pursuant to finance and operating leases that have initial or remaining noncancelable terms in excess of one year were as follows:

	Finance Leases	Operating Leases
2024	\$ 20,064	\$ 79,919
2025	1,673	59,023
2026	-	8,738
2027	-	3,232
2028	-	700
Total minimum payments	21,737	151,612
Impact of present value discount	(622)	(6,085)
Lease liability	21,115	145,527
Less current portion	19,450	78,377
	<u>\$ 1,665</u>	<u>\$ 67,150</u>

SCAN, Inc.

Notes to Financial Statements (continued)

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	September 30	
	2023	2022
Subject to expenditure for specific purpose:		
Sensory room	\$ -	\$ 15,000
Early Years Initiative	487,500	-
Strengthening Youth Programs in Indiana	969,797	-
	1,457,297	15,000
Not subject to spending policy or appropriation:		
Other	5,000	5,000
Beneficial interests in perpetual trust	212,540	199,253
	217,540	204,253
	\$ 1,674,837	\$ 219,253

Net assets released from donor restrictions by occurrence of the passage of time or specified event were \$25,400 for the year ended September 30, 2023. There were no assets released from restrictions for the year ended September 30, 2022.

12. Employee Benefits

SCAN maintains a 403(b) employer contributory tax-deferred annuity plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. SCAN's contribution consists of a matching contribution of 100 percent of employee contributions, up to 3 percent of eligible employee compensation. SCAN's contribution to the plan was \$47,942 and \$45,913 for the years ended September 30, 2023 and 2022, respectively.

13. Related Party Transactions

Certain members of the Board of Directors are employed by companies providing financial, construction, and other services to SCAN. The fees paid to these companies were based on customary and reasonable rates for such services.

SCAN, Inc.

Notes to Financial Statements (continued)

14. Subsequent Events

Management has evaluated subsequent events through January 12, 2024, the date on which the financial statements were available to be issued.