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November 10, 2011

Board of Directors
Bridge Community Services, Inc.
318 W. Eighth Street
Muncie, IN 47302

We have reviewed the audit report prepared by Summers, Carroll, Whisler, LLC, Independent Public Accountants, for the period June 1, 2009 to May 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Bridges Community Services, Inc., as of May 31, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
BRIDGES COMMUNITY SERVICES, INC.
MAY 31, 2010**

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

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Summers, Carroll, Whisler *LLC*

Certified Public Accountants

Independent Auditors' Report

**Board of Directors
Bridges Community Services, Inc.**

We have audited the accompanying statement of financial position of Bridges Community Services, Inc. (a nonprofit organization) as of May 31, 2010, and the related statements of activities, cash flow, functional expenses, and schedule of HPRP program expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridges Community Services, Inc. as of May 31, 2010, and the changes in their net assets and their cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010 on our consideration of Bridges Community Services, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Bridges Community Services, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and

Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Summers, Carroll, Whisler & Co

Muncie, Indiana
October 25, 2010

Bridges Community Services, Inc.
STATEMENT OF FINANCIAL POSITION
May 31, 2010

ASSETS	
CURRENT ASSETS	
Cash	\$ 163,739
Promises to give	54,167
Grants receivable	39,825
Accounts receivable	3,742
	<hr/>
Total current assets	261,473
PROPERTY AND EQUIPMENT	
Building and land	1,371,407
Furnishing	4,441
Vehicles	39,984
Equipment	9,653
	<hr/>
	1,425,485
Less accumulated depreciation	306,016
	<hr/>
	1,119,469
OTHER ASSETS	
Notes receivable, net annual amortization	3,666
Property investments	80,577
Other assets	561
	<hr/>
	84,804
	<hr/>
	<u>\$ 1,465,746</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Tenant deposits	\$ 5,337
Accounts payable	12,578
Line-of-credit	16,500
Current maturities of long-term debt	65,318
Accrued payroll and liabilities	5,569

Total current liabilities	105,302
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LONG-TERM LIABILITIES

Long-term debt, less current maturities	199,779
Contingent liability	311,756

511,535

Total liabilities	616,837
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NET ASSETS

Unrestricted net assets	779,742
Temporarily restricted net assets	69,167

848,909

\$ 1,465,746

Bridges Community Services, Inc.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2010

	Unrestricted	Temporarily Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
Public Support and Revenue			
Public Support			
Grants	\$ 1,324,582	\$ 69,167	\$ 1,393,749
Contributions	59,607		59,607
	<u> </u>	<u> </u>	<u> </u>
Total public support	1,384,189	69,167	1,453,356
Revenue			
Rental income	54,014		54,014
Program fees	17,404		17,404
Miscellaneous income	5,528		5,528
Loss on disposal of assets	(15,404)		(15,404)
	<u> </u>	<u> </u>	<u> </u>
Total revenue	61,542		61,542
Net assets released from restrictions			
Restrictions satisfied by payments	5,000	(5,000)	
	<u> </u>	<u> </u>	<u> </u>
Total public support and revenue	1,450,731	64,167	1,514,898
Expenses			
Program services			
Transitional Housing Program	560,927		560,927
HPRP Program	558,537		558,537
	<u> </u>	<u> </u>	<u> </u>
Total program services	1,119,464		1,119,464
Supporting services			
Management and General	196,350		196,350
	<u> </u>	<u> </u>	<u> </u>
Total expenses	1,315,814		1,315,814
	<u> </u>	<u> </u>	<u> </u>
INCREASE IN NET ASSETS	134,917	64,167	199,084
Net assets at beginning of year	644,825	5,000	649,825
	<u> </u>	<u> </u>	<u> </u>
Net assets at end of year	<u>\$ 779,742</u>	<u>\$ 69,167</u>	<u>\$ 848,909</u>

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

STATEMENT OF CASH FLOW

Year Ended May 31, 2010

Cash flow from operating activities:	
Increase in net assets	\$ 199,084
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	40,709
Amortization	4,138
Loss on disposal of assets	15,404
(Increase) decrease in assets:	
Receivables	(90,350)
Increase (decrease) in liabilities:	
Payables	10,592
Tenant deposits	445
Accrued payroll and liabilities	(9,483)
	<hr/>
Net cash provided by operating activities	170,539
Cash flow from investing activities:	
Proceeds from sale of property and equipment	4,700
Purchase of property and equipment	(79,806)
	<hr/>
Net cash used in investing activities	(75,106)
Cash flow from financing activities:	
Proceeds from issuance of long-term debt	58,135
Long-term debt closing costs	(110)
Proceeds from HOME grant/loan	70,256
Principal payments on long-term debt	(67,918)
Net borrowing under line-of-credit	(6,000)
	<hr/>
Net cash provided by financing activities	54,363
	<hr/>
Net increase in cash and cash equivalents	149,796
Cash and cash equivalents at beginning of year	13,943
	<hr/>
Cash and cash equivalents at end of year	\$ 163,739
	<hr/> <hr/>
Interest paid	\$ 25,366
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2010

	Transitiona Housing Program	HPRP Program	Management and General	Total
Wages	\$ 256,335	\$	\$ 109,858	\$ 366,193
Payroll taxes	21,494		9,211	30,705
Employee benefits	33,268		14,257	47,525
Advertising	1,430			1,430
Bad debt	1,285			1,285
Client services	17,046			17,046
Insurance	19,392		8,311	27,703
Interest	17,756		7,610	25,366
Office supplies and expense	11,810		5,061	16,871
Professional fees	11,559		4,954	16,513
Real estate taxes	545		233	778
Repairs and maintenance	13,895		5,955	19,850
Travel			6,070	6,070
Utilities and telephone	51,100		21,900	73,000
Program expenses	53,693			53,693
Program expenses-HPRP (Schedule)		558,537		558,537
Miscellaneous	5,881		2,521	8,402
Depreciation	40,300		409	40,709
Amortization	138			138
First-time home buyer amortization expense	4,000			4,000
	<u>\$ 560,927</u>	<u>\$ 558,537</u>	<u>\$ 196,350</u>	<u>\$ 1,315,814</u>

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

SCHEDULE OF HPRP PROGRAM EXPENSES

Year Ended May 31, 2010

Rental assistance	\$ 424,917
Security deposits	31,526
Utility deposits	13,161
Utility payments	17,804
Housing inspections	2,031
Staffing costs	14,997
Case management	10,998
Outreach and engagement	3,266
Housing search and placement	4,877
Credit repair	4,877
Data collection and evaluation	13,601
Administration	16,482
	<hr/>
	\$ 558,537
	<hr/> <hr/>

The accompanying notes are an integral part of this schedule.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Bridges Community Services, Inc. is a nonprofit organization whose primary purpose is to develop, coordinate, and provide housing, social services, and educational programs for low- and moderate-income residents of Muncie, Indiana, which will lead to economic independence and homeownership opportunities. Support consists primarily of grants from public and private organizations.

2. Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Financial Statement Presentation

In accordance with FASB ASC 958-205, *Presentation of Financial Statements*, the Organization reports 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, the Organization presents a statement of cash flow.

4. Cash and Cash Equivalents

The Organization maintains cash in accounts at local financial institutions which are insured by agencies of the U.S. Government. The HPRP Program requires its funds to be separated from other Organization funds. For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

5. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

6. Receivables

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Should management deem any receivables to be uncollectible, the outstanding balance is written off to bad debt. Amounts written off to bad debts have been immaterial to the financial statements.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Property and Equipment

The Organization capitalizes all expenditures for property in service and equipment in excess of \$1,000. Property and equipment are recorded at fair market value at date of donation or at cost if purchased. Maintenance and repairs that do not improve or extend the useful lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss, if applicable, is reported in the statement of activities. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets, ranging from five to forty years.

8. Property Investments

Property investments consist of real estate and are carried at cost if purchased. Donated properties are reflected as contributions at their estimated market values at the date of receipt. Property investments which are transferred to in-service property are depreciated beginning at the in-service date. Major improvements to the real estate are also then capitalized.

9. Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, it is not liable for federal and state income taxes and no liability for such taxes appears in these statements.

The Organization has no open tax year prior to 2006.

10. Public Support and Revenue

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Grant revenue is recognized in the period the related expenses are incurred.

Program service fees (rental income) are recognized when the service has been provided. Rents receivables are written off to bad debts if and when management deems they are uncollectible.

Grant revenue that is restricted by the grantor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grant revenue is recognized. All other donor-restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

11. Donated Materials and Services

Donated materials, equipment and services, when received and measurable, are reflected as contributions in the accompanying financial statements at their estimated fair market value when received.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Functional Expenses

Functional expenses, if not directly traceable, have been allocated between program services and supporting services, based on an analysis of personnel time utilized for the related activities.

13. Compensated Absences

Full-time employees are entitled to paid vacations of one week after one year of employment and two weeks thereafter. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

14. Advertising Costs

Advertising costs are expensed as incurred and included in functional expenses. Advertising expense totaled \$1,430 for the year ended May 31, 2010.

15. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of an operating grant in the amount of \$54,167. The amount from this funding source at May 31, 2010 is due within one year and is classified as temporarily restricted net assets in the statement of activities. Uncollectible promises are expected to be insignificant.

NOTE C - NOTES RECEIVABLE

In May 2006, Bridges Community Services, Inc. entered into forgivable loans with a first-time home buyer in the amounts of \$5,000 and \$14,999 with 0% per annum interest rate thereon. The principal amount shall be amortized over a five-year loan period. In the event of default within the five-year period, the amount unamortized, along with a 10% per annum interest, will be due to Bridges Community Services, Inc. The amount amortized for the year ending May 31, 2010 was \$4,000.

NOTE D - LINE OF CREDIT

As of May 31, 2010, the Organization had a line of credit which expires August 25, 2010. Advances are received by the Organization under the agreement, up to a maximum of \$25,000. Advances are due to be repaid at maturity with interest payable monthly at a rate of 8.00%. The Organization had an outstanding balance of \$16,500 on the line of credit as of May 31, 2010. This line of credit is secured by property located in Muncie, Indiana.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

NOTE E - LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at May 31, 2010.

Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling \$2,163, including variable interest rates varying between 4.50% to 8.50% and maturing from 2010 to 2021	<u>\$265,097</u>
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Annual maturities for the five years ending May 31 are as follows.

May 31, 2011	\$ 65,318
2012	57,873
2013	62,945
2014	11,299
2015	8,162
2016 and thereafter	<u>59,500</u>
	<u>\$265,097</u>

NOTE F - CONTINGENT LIABILITY

During the year ending May 31, 2010, Bridges Community Services, Inc. received a HOME grant/forgivable loan from the City of Muncie, Indiana's Department of Community Development. The term of the HOME grant/forgivable loan will be ten years beginning on the date the final disbursement of loan proceeds is paid to Bridges Community Services, Inc., which at May 31, 2010 had not yet occurred. As per the HOME grant/forgivable loan agreement, these funds need not be paid back provided there is no default of any of the provision of said agreement. As allowable by said agreement, the loan will be forgiven on the tenth anniversary date of the financial disbursement. As of May 31, 2010, the amount received under this agreement was \$70,256.

Bridges Community Services, Inc. received a HOME grant/forgivable loan in the amount of \$241,500 from the City of Muncie, Indiana's Department of Community Development. The term of the HOME grant/forgivable loan is fifteen years, which began on February 27, 2009, the date of the final disbursement of loan proceeds. As per the HOME grant/forgivable loan agreement, these funds need not be paid back provided there is no default of any of the provision of said agreement. As allowable by said agreement, the loan is forgiven on the fifteenth anniversary date of the financial disbursement of the loan proceeds and shall, therefore, be forgiven in its entirety on February 27, 2024.

NOTE G - RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of an unconditional promise to give in the form of an operating allocation from the United Way and a donor-imposed restricted contribution.

Temporarily restricted net assets are available as follows.

United Way grant for program operations	\$54,167
Donor-imposed restricted contribution	<u>15,000</u>
	<u>\$69,167</u>

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

NOTE H - DONATED MATERIALS AND SERVICES

The Organization received certain donated materials and services for use in its programs. The value of donated materials and services meeting the requirements for recognition in the financial statements was \$48,644. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Many unpaid volunteers have donated significant amounts of their time to the Organization's programs. Volunteers donated about 767 hours, with an estimated fair value of \$13,770 during the year ended May 31, 2010. However, no amounts were recognized in the statement of activities because the requirements for recognition in the financial statements had not been met.

NOTE I - INTEREST EXPENSE

Interest costs totaling \$25,366 were incurred during the year ended May 31, 2010. No interest costs were capitalized as part of the costs of assets acquired during the year.

NOTE J - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *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 fair value hierarchy under FASB ASC 820-10 are described below.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the highest level of any input that is significant to the fair value measurement. Management has determined that all of the Organization's assets and liabilities fall under level 3 of the hierarchy and it is not practicable to estimate the fair value of the financial and nonfinancial assets and liabilities for which the carrying value may not approximate the fair value and which would require a future cash flow and/or present-value calculation. This determination was based primarily on management's assessment that the cost of obtaining this information appears excessive. Therefore, for purposes of these financial statements, the carrying value of all assets and liabilities of the Organization is deemed to approximate the fair market value.

Bridges Community Services, Inc.**NOTES TO FINANCIAL STATEMENTS**

May 31, 2010

NOTE K - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in the same financial institution. The maximum loss that would have resulted from that risk is the excess of the balances reported by the financial institution over the amount that would have been covered by the Federal Deposit Insurance Corporation (FDIC). Currently that amount is \$250,000; therefore, there was no cash at risk at May 31, 2010.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Organization is subject to laws and regulations relating to the protection of the environment. The Organization's policy is to accrue environmental and cleanup-related costs of a noncapital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Organization's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the Organization.

The Organization owns various properties that were purchased with HOME funds received via forgivable loans from the City of Muncie, Indiana's Department of Community Development. These forgivable loans require these properties to provide housing for low- and moderate-income residents over the period of amortization.

The Organization owns property at 2015 South Penn, Muncie, Indiana that was donated by the City of Muncie, Indiana's Department of Community Development, and the city holds a mortgage on the property for real estate taxes paid by the city prior to the donation. Upon the sale of the property to a first-time home buyer, the city will release the lien on the property.

The Organization owns property at 1414 South Liberty, Muncie, Indiana that was rehabilitated using HOME funds received via a forgivable loan from the City of Muncie, Indiana's Department of Community Development. The city holds a mortgage securing payment of this forgivable loan during the period of amortization.

The Organization owns property at 1420 South Liberty, Muncie, Indiana that was rehabilitated using HOME funds received via a forgivable loan from the City of Muncie, Indiana's Department of Community Development. The city holds a mortgage securing payment of this forgivable loan during the period of amortization.

The Organization, as lessor, has entered into lease purchase agreements for various properties it owns. The option periods for these agreements terminate on a range of dates between December 2008 and November 2009; however, during the year ending May 31, 2009, these lessees were granted a two-year extension on their termination dates. Within these purchase agreements, the Organization has committed to providing forgivable loans secured with second mortgages to the lessees. The majority of these forgivable loans' funds are available to the lessee via a governmental first-time home buyer program.

NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 25, 2010, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Bridges Community Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended May 31, 2010

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Grant Contract Number	Federal Expenditure
Department of Housing and Urban Development			
Supportive Housing Program	14.235	IN0028BH020801/ IN0050BH020801	\$ 395,145
Pass-through programs from:			
Muncie, Indiana Community Development Office:			
Community Development Block Grant: Transitional Housing	14.218		39,195
HOME Investment Partnerships Program	14.239		84,157
Indiana Housing and Community Development Authority:			
Emergency Shelter Grant Program	14.231	ES-009-008	24,395
ARRA Homeless Prevention and Rapid Re-housing Program	14.257	HPRP-09-05	571,547
Total Department of Housing and Urban Development			1,114,439
Department of Homeland Security			
Pass-through from:			
United Way of Delaware County:			
Emergency Food and Shelter Program	97.024	265600-009	8,385
ARRA Emergency Food and Shelter Program	97.114	265600-009	6,500
			14,885
Department of Health and Human Services			
Pass-through from:			
Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-10-007CSBG	1,984
Total expenditures of federal awards			\$ 1,131,308

Bridges Community Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended May 31, 2010

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bridges Community Services, Inc. and is presented on the cash basis of accounting, and accordingly, represents the total cash expended for the programs. It does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the federal programs.

Bridges Community Services, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2010

1. The auditors' report expresses an unqualified opinion on the financial statements of Bridges Community Services, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Financial Statements and Schedule of Federal Awards."
3. No instances of noncompliance material to the financial statements of Bridges Community Services, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133."
5. The auditors' report on compliance for Bridges Community Services, Inc. expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Bridges Community Services, Inc.
7. The programs tested as major programs included:

<u>CFDA #</u>	<u>Name of Program</u>
14.235	Supportive Housing Program
14.257	ARRA Homeless Prevention and Rapid Re-housing Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bridges Community Services, Inc. did not qualify as a low-risk auditee.

SPECIAL REPORTS



Summers, Carroll, Whisler *LLC*

Certified Public Accountants

**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**

**Board of Directors
Bridges Community Services, Inc.**

We have audited the financial statements of Bridges Community Services, Inc. as of and for the year ended May 31, 2010, and have issued our report thereon dated October 25, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bridges Community Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bridges Community Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridges Community Services, Inc.'s financial statements are free of 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*.

We noted certain other matters that we reported to management of Bridges Community Services, Inc. in a separate letter dated October 25, 2010.

This report is intended solely for the information and use of the Board of Directors, management, the Indiana State Board of Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Summers, Carroll, Whisler LLC

Muncie, Indiana
October 25, 2010



Summers, Carroll, Whisler *LLC*

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors
Bridges Community Services, Inc.**

Compliance

We have audited Bridges Community Services, 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 each of Bridges Community Services, Inc.'s major federal programs for the year ended May 31, 2010. Bridges Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bridges Community Services, Inc.'s management. Our responsibility is to express an opinion on Bridges Community Services, Inc.'s compliance based on our audit.

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 Bridges Community Services, 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. Our audit does not provide a legal determination of Bridges Community Services, Inc.'s compliance with those requirements.

In our opinion, Bridges Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2010.

Internal Control Over Compliance

Management of Bridges Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bridges Community Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Bridges Community Services, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Indiana State Board of Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Summus, Carroll, Whisler L L C

Muncie, Indiana
October 25, 2010