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June 17, 2014

Board of Directors
Future Choices, Inc.
309 N. High Street
Muncie, IN 47305

We have reviewed the audit report prepared by Somerset CPAs, Independent Public Accountants, for the period October 1, 2011 to September 30, 2012. 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 Future Choices, Inc., as of September 30, 2012, 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

FUTURE CHOICES, INC.
Financial Statements
Years Ended September 30, 2012 and 2011

FUTURE CHOICES, INC.

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Independent Auditors' Report

To the Board of Directors
FUTURE CHOICES, INC.
Muncie, Indiana

We have audited the accompanying statement of financial position of FUTURE CHOICES, INC. (a nonprofit Organization), as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. The 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. The financial statements of Future Choices, Inc. as of September 30, 2011, were audited by other auditors whose report dated December 31, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly we express no such opinion. 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 the Future Choices, Inc., as of September 30, 2012, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Somerset CPAs PC

February 19, 2013

Architecture/Engineering
Assurance
Business Advisory
Construction

Employee Benefits
Entrepreneurial
Health Care
Information Solutions

Manufacturing & Distribution
Not-for-Profit
Real Estate
Small Business



FUTURE CHOICES, INC.
Statements of Financial Position
September 30, 2012 and 2011

Assets	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Current Assets				
Cash and equivalents	\$ 234,175	\$ 0	\$ 234,175	\$ 276,945
Cash - payee account	167,056	0	167,056	77,593
Accounts receivable	8,821	0	8,821	2,452
Grants receivable	0	467,152	467,152	192,451
Total Current Assets	410,052	467,152	877,204	549,441
Property and Equipment, net	92,068	0	92,068	99,756
Other Assets				
Due from Daley Apartments, L.P.	11,850	0	11,850	11,850
Other receivable	21,514	0	21,514	43,091
Investment in Daley Apartments, L.P.	41,604	0	41,604	41,604
Notes receivable	175,000	250,000	425,000	425,000
Interest receivable	165,806	197,018	362,824	339,024
Total Other Assets	415,774	447,018	862,792	860,569
Total Assets	\$ 917,894	\$ 914,170	\$ 1,832,064	\$ 1,509,766
 Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 11,438	\$ 0	\$ 11,438	\$ 18,706
Accounts payable - payee account	167,056	0	167,056	77,593
Accrued payroll and payroll tax	25,447	0	25,447	33,204
Notes payable	189,062	0	189,062	215,312
Total Current Liabilities	393,003	0	393,003	344,815
Net Assets				
Unrestricted	524,891	0	524,891	731,058
Temporarily restricted	0	914,170	914,170	433,893
Total Net Assets	524,891	914,170	1,439,061	1,164,951
Total Liabilities and Net Assets	\$ 917,894	\$ 914,170	\$ 1,832,064	\$ 1,509,766

See accompanying notes.

FUTURE CHOICES, INC.
Statements of Activities
For the Years Ended September 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenue				
Grants and contracts	\$ 0	\$ 862,434	\$ 862,434	\$ 405,497
Contributions	1,345	0	1,345	0
Service fees	17,360	0	17,360	28,154
Program fees	16,905	0	16,905	10,849
Forgiveness of debt revenue	26,250	0	26,250	23,643
Rent income	8,900	0	8,900	13,942
Interest income	10,682	13,125	23,807	0
Miscellaneous income	5,392	0	5,392	32,598
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	86,834	875,559	962,393	514,683
Released From Restriction				
	395,282	(395,282)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
	482,116	480,277	962,393	514,683
Expense				
Conferences, workshops and meetings	7,112	0	7,112	4,388
Depreciation	7,688	0	7,688	9,161
Dues and subscriptions	3,785	0	3,785	3,566
Grants, scholarships, and other expenses	24,120	0	24,120	7,815
Insurance	30,459	0	30,459	29,961
Miscellaneous	40,083	0	40,083	17,260
Payroll tax expense	38,955	0	38,955	31,428
Postage and shipping	1,689	0	1,689	1,706
Printing and publications	1,727	0	1,727	12,405
Professional fees	19,711	0	19,711	18,661
Property expense	1,278	0	1,278	18,000
Repairs and maintenance	71,143	0	71,143	43,756
Salaries and wages	360,051	0	360,051	370,790
Supplies	37,040	0	37,040	17,895
Telephone	4,599	0	4,599	9,341
Travel	7,605	0	7,605	16,283
Utilities	31,238	0	31,238	9,033
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expense	688,283	0	688,283	621,449
Change in Net Assets				
	(206,167)	480,277	274,110	(106,766)
Net Assets, Beginning of Year				
	731,058	433,893	1,164,951	1,271,717
Net Assets, End of Year				
	<u>\$ 524,891</u>	<u>\$ 914,170</u>	<u>\$ 1,439,061</u>	<u>\$ 1,164,951</u>

See accompanying notes.

FUTURE CHOICES, INC.
Statements of Cash Flows
For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase (decrease) in unrestricted net assets	\$ 274,110	\$ (106,766)
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	7,688	9,161
Decrease in notes payable	(26,250)	(31,250)
(Increase) decrease in certain assets-		
Accounts receivable	(259,493)	199,977
Interest receivable	(23,800)	(41,234)
Accounts payable	(7,268)	15,283
Accrued expenses	<u>(7,757)</u>	<u>(3,965)</u>
Net cash provided by (used in) operating activities	<u>(42,770)</u>	<u>41,206</u>
Cash Flows from Investing Activities		
Purchase of investments	<u>0</u>	<u>(18,569)</u>
Net cash used in investing activities	<u>0</u>	<u>(18,569)</u>
Cash Flows from Financing Activities		
Purchase of equipment	<u>0</u>	<u>0</u>
Net cash used in investing activities	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(42,770)	22,637
Cash and Cash Equivalents, Beginning of Year	<u>276,945</u>	<u>254,308</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 234,175</u></u>	<u><u>\$ 276,945</u></u>

See accompanying notes.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note A - Nature of Operations and Summary of Significant Accounting Policies:

Nature of Operations

Future Choices, Inc., was organized in 1995 as a 501(c)3 not-for-profit corporation for the purpose of providing access to services and to conduct activities to ensure that people in Delaware County, Indiana with special needs and their families are empowered to make personal choices from a wide range of acceptable options, which lead to the greatest level of independence. Future Choices is funded by a network of individuals, the Muncie community, the State of Indiana and Federal government

Through community education, statewide collaboration, partnerships and outreach, Future Choices currently provides direct services in six counties in Indiana. These counties are: Blackford, Delaware, Grant, Howard, Madison and Randolph, as well as, extended services in Henry and Tipton counties.

Basis of Accounting

The financial statements of Future Choices have been prepared on the accrual basis of accounting and accordingly reflect all receivables and payables.

Financial Statement Presentation

In accordance with FASB ASC 958-205, Not-for-Profit Entities, Future Choices is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted and released to unrestricted support. Future Choices did not have any permanently restricted net assets as of September 30, 2012 and 2011.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity of less than three months. The carrying value of cash and cash equivalents approximates fair market value because of the short maturities of those financial instruments. All non-interest bearing cash balances were fully insured at September 30, 2012, due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning January 1, 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Estimates

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

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Generally, the donors of these assets permit Future Choices to use all part of the income earned on the related investments for general or specific purposes.

Property, Equipment, and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Future Choices capitalizes its property acquisitions greater than \$500, unless property of a grantor per grant agreements.

A-133 Audit Requirement

The Office of Management and Budget (OMB) has issued Circular A-133 which requires institutions of higher education and nonprofit institutions that expend \$500,000 or more in federal funds to annually conduct a detailed, organization wide audit that complies with the criteria established in the circular. Future Choices reviewed its obligations under programs in which federal funds were received to ensure that all such requirements are completely fulfilled. The organization was not subject to A-133 requirements. In that, the "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" will not be presented as in prior years.

Note B - Fixed Assets:

Acquisitions of property and equipment are capitalized for purchases greater than or equal to \$500. Property and equipment are carried at costs or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using straight-line method.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note B - Fixed Assets (Continued):

Land, property and equipment consist of the following at September 30, 2012 and 2011:

	2012	2011
Land	\$ 2,703	\$ 2,703
Furniture and equipment	58,589	58,589
Leasehold improvements	5,829	5,829
Residential real estate	83,834	83,834
Vehicle	10,000	10,000
	160,955	160,955
Accumulated depreciation	(68,887)	(61,199)
	\$ 92,068	\$ 99,756

Note C - Other Assets:

During the year ended December 31, 1998, Daley Apartments, L.P. was formed. The primary source of financing for the construction of the apartments for low-income and disabled persons was in the form of low-income housing tax credits. Future Choices as a project developer was responsible for the receipt of those tax credits. At September 30, 2012 and 2011, Future Choices was due \$11,850 in deferred development fees, which are paid to Future Choices from Daley Apartments, L.P.'s available cash flow, as defined by the agreement. During the year ended December 31, 2000, Future Choices, entered into an agreement with Daley Apartments, L.P. whereby Future Choices will provide social services consulting for a fee of \$7,000 per year. At September 30, 2012 and 2011, Future Choices was due \$21,514 for these consulting fees. As per an agreement with Daley Apartments, L.P. upon receipt of these consulting fees, Future Choices is to pay a like amount to Daley Apartments, L.P. for the social services consultant's. No rent expense has been recorded during the years ending September 30, 2012 and 2011.

During the year ended December 31, 2001, Future Choices paid Daley Apartments, L.P. a capital contribution of \$41,604 for a minority ownership in the limited partnership. As Future Choices has no significant influence over Daley Apartments, L.P.'s operating or financial policies, this investment is recorded in the financial statements of Future Choices using the cost method.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note D - Notes and Interest Receivables:

Notes receivable consists of two promissory notes to Daley Apartments, L.P., (the Partnership) as detailed below. Both notes are collateralized by mortgages on the Partnership's real property as of September 30, 2012 and 2011.

Promissory note related to:

HOME Grant/Forgivable Loan	\$ 250,000
Affordable Housing Program	<u>175,000</u>
	<u>\$ 425,000</u>

During 1998, Future Choices received a \$250,000 HOME Grant/Forgivable Loan from the City of Muncie, Indiana which they in turn loaned to the Partnership, as allowable by the HOME Grant/Forgivable Loan, to contribute to the cost of construction of HOME-assisted rental units. The promissory note provides that principal along with interest is to be re paid from available cash flow, as defined. Non-compounding interest is computed at the rate of 5.25% annually. The note matures May 16, 2020. After the maturity date or upon an event of default, the promissory note provides for a change in the interest rate to 8% per annum until paid in full. A requirement of the HOME Grant/Forgivable Loan from the City of Muncie, Indiana, provides that the proceeds from the repayment of the loan and the interest received on the said loan shall be reserved for use to maintain, renovate, operate, or obtain future ownership of this project. As of September 30, 2012 and 2011, no payments had been received.

During 1999, Future Choices received a \$175,000 grant from the Affordable Housing Program of the Federal Loan Bank of Indianapolis, which they in turn loaned to the Partnership, as allowable by the grant, for the purpose of providing funding for the construction of low-income housing. The promissory note provides that principal along with interest is to be repaid from available cash flow, as defined subordinate to the HOME Grant/Forgivable Loan. Non-compounding interest is computed at the rate of 6.1% with all payments made being applied first to accrued interest with the balance, if any, applied to the outstanding principal balance.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note D - Notes and Interest Receivables (Continued):

The note matures May 16, 2014, upon which date all outstanding principal and interest is due. As of September 30, 2012 and 2011, no payments had been received. Interest receivable is broken out below as it relates to this agreement:

	<u>2012</u>
HOME Grant/Forgivable Loan	\$ 197,018
Affordable Housing Program	<u>165,806</u>
	<u>\$ 362,824</u>

Note E - Notes Payable:

As described in Note B, Future Choices received a HOME Grant/Forgivable Loan from the City of Muncie, Indiana. The term of the HOME Grant/Forgivable Loan is twenty years, which began on December 19, 1999, the date of the final disbursement 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 provisions of the said agreement. As allowable by the said agreement, the loan is forgiven at the rate of 5% on each anniversary date of the final disbursement of the loan proceeds and shall be forgiven in its entirety on the 20th anniversary date of such disbursements.

Future Choices also received a grant from the Affordable Housing Program of the Federal Home Loan Bank of Indianapolis, as described in Note D. The term of the grant is 15 years, which began July 6, 1999, the date of the agreement. As per the grant agreement, these funds need not be paid back provided there is no default of any of the provisions of the said agreement. As allowable by the said agreement, the grant is forgiven at the rate of 5% each year.

FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note E - Notes Payable (Continued):

The amount of the grant/loan that is forgiven each year is recognized as unrestricted income. The carrying values of the notes payable are computed as follows;

HOME Grant/Forgivable Loan Received 1999	\$ 250,000
Allowable annual 5% for years 2000 - 2007	(100,000)
Allowable annual 5% for nine months for year ended September 30, 2008	(9,375)
Allowable annual 5% for year ending September 30, 2009	(12,500)
Allowable annual 5% for year ending September 30, 2010	(12,500)
Allowable annual 5% for year ending September 30, 2011	(12,500)
Allowable annual 5% for year ending September 30, 2012	<u>(12,500)</u>

Carrying value at September 30, 2012	<u>\$ 90,625</u>
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Affordable Housing Program Grant Received 1999	\$ 175,000
Allowable annual 5% for years 2000 - 2007	(70,000)
Allowable annual 5% for nine months for year ended September 30, 2008	(6,563)
Allowable annual 5% for year ending September 30, 2009	(8,750)
Allowable annual 5% for year ending September 30, 2010	(8,750)
Allowable annual 5% for year ending September 30, 2011	(8,750)
Allowable annual 5% for year ending September 30, 2012	<u>(8,750)</u>

Carrying value at September 30, 2012	<u>\$ 63,437</u>
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During the years ending September 30, 2012 and 2011, Future Choices received a HOME Grant/Forgivable Loan from the City of Muncie, Indiana to refurbish a residential building (See Note D). The amount of the HOME grant forgivable loan is for up to \$50,000. As per the HOME Grant/Forgivable Loan agreement, these funds need not be paid back provided there is no default of any of the provisions of said agreement. As allowable by said agreement, the loan is forgiven in its entirety on the 10th anniversary date of the final disbursement. At September 30, 2011, the final disbursement had yet been made. The final disbursement was made during fiscal year ending September 30, 2011. The City of Muncie, Indiana holds a mortgage securing payment of this forgivable loan during the amortization period.

Home Loan Program Grant Received 2010	\$ 50,000
Allowable annual 10% for year ending September 30, 2010	(5,000)
Allowable annual 10% for year ending September 30, 2011	(5,000)
Allowable annual 10% for year ending September 30, 2012	<u>(5,000)</u>

Carrying value at September 30, 2012	<u>\$ 35,000</u>
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FUTURE CHOICES, INC.
Notes to Financial Statements
September 30, 2012 and 2011

Note F - Notes Payable:

The Organization renewed a \$250,000 line of credit with Old National Bank on July 16, 2012, to be drawn down as needed with a variable interest rate of 1% over the prime rate as published in the Wall Street Journal. This line of credit expires July 31, 2013. As per the agreement, under no circumstances with the interest rate be less than 3.0% per annum. This agreement is secured with, whether now existing or hereafter or later, all assets of the Organization and proceeds from disposition of any such property. At September 30, 2012 and 2011, the Organization had no outstanding balance owing.

Note G - Representative Payee Accounts:

The Organization serves as the representative payee, approved by the Social Security Administration (SSA), for various consumers who require assistance with their financial responsibilities. The SSA requires the Organization to maintain a separate bank account into which the SSA makes direct deposits for each consumer; these monies do not belong to the Organization. Therefore, the Organization has recorded a current asset and an off-setting current liability. At September 30, 2012, the balance was \$167,056 and September 30, 2011, the balance was \$77,593.

Note H - Related Parties:

Future Choices has common board members with Daley, Inc., which is the for-profit entity which acts as an intermediary between Future Choices and Daley Apartments, L.P. Future Choices owns 0.1% in Daley Apartments, L.P.

Assets carried on the Statement of Financial Position at September 30, 2012 and 2011 in the amount of \$862,792 and \$848,719, respectively.

Note I - Subsequent Events:

The Organization has evaluated subsequent events through February 19, 2013, the date on which the financial statements were available to be issued.

Note J - Reclassification:

Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on total assets, total liabilities, equity, or net income as previously reported.

FUTURE CHOICES, INC.
Schedule of Functional Expenses
For the Year Ended September 30, 2012 and 2011

	Management and General	Program Support	2012 Total	Management and General	Program Support	2011 Total
Conferences, workshop and meetings	\$ 479	\$ 6,633	\$ 7,112	\$ 295	\$ 4,093	\$ 4,388
Dues and subscriptions	255	3,530	3,785	240	3,326	3,566
Grants and donations	1,623	22,497	24,120	525	7,290	7,815
Insurance	2,050	28,409	30,459	2,065	27,896	29,961
Miscellaneous	2,698	40,753	43,451	1,160	16,100	17,260
Payroll tax expense	2,622	36,333	38,955	2,112	29,316	31,428
Postage and shipping	114	1,575	1,689	115	1,591	1,706
Printing and publication	116	1,611	1,727	833	11,572	12,405
Professional fees	1,327	18,384	19,711	2,268	16,393	18,661
Rent	1,211	16,789	18,000	1,209	16,791	18,000
Repairs and maintenance	4,788	66,355	71,143	2,940	40,816	43,756
Salaries and wages	24,231	335,820	360,051	24,912	345,878	370,790
Supplies	2,260	31,320	33,580	7,347	10,548	17,895
Telephone	310	4,289	4,599	934	8,407	9,341
Travel	512	7,093	7,605	2,120	14,163	16,283
Utilities	891	12,347	13,238	1,220	7,813	9,033
Property expense	92	1,278	1,370	0	0	0
Total Expenses before Depreciation and Interest Expense	45,579	635,016	680,595	50,295	561,993	612,288
Depreciation	7,688	0	7,688	9,161	0	9,161
Total Expenses	\$ 53,267	\$ 635,016	\$ 688,283	\$ 59,456	\$ 561,993	\$ 621,449