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August 27, 2014

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

We have reviewed the audit report prepared by Summers, Carroll, Whisler LLC, for the period June 1, 2010 to May 31, 2011. 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 Bridges Community Services, Inc., as of May 31, 2011, 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.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

BRIDGES COMMUNITY SERVICES, INC.

MAY 31, 2011 AND 2010

# CONTENTS

Summers, Carroll, Whisler LLC
Certified Public Accountants

**Independent Auditors' Report**

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

We have audited the accompanying statements of financial position of Bridges Community Services, Inc. (a nonprofit organization) as of May 31, 2011 and 2010, and the related statements of activities, cash flow, functional expenses, and schedules of HPRP program expenses for the years 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 audits.

We conducted our audits 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 audits 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, 2011 and 2010, and the changes in its net assets and its cash flow for the years 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 12, 2011 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The schedules 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

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other records used to prepare the 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 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 LLC

Muncie, Indiana
October 12, 2011

Bridges Community Services, Inc.

STATEMENTS OF FINANCIAL POSITION

May 31,

| | 2011 | 2010 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 174,770 | $ 163,739 |
| Promises to give | 50,000 | 54,167 |
| Grants receivable | 126,498 | 39,825 |
| Accounts receivable | 7,943 | 3,742 |
| Prepaid insurance | 9,007 | - |
| Total current assets | 368,218 | 261,473 |
| **PROPERTY AND EQUIPMENT** | | |
| Building and land | 1,734,851 | 1,371,407 |
| Furnishing | 4,441 | 4,441 |
| Vehicles | 71,929 | 39,984 |
| Equipment | 9,036 | 9,653 |
| | 1,820,257 | 1,425,485 |
| Less accumulated depreciation | 341,676 | 306,016 |
| | 1,478,581 | 1,119,469 |
| **OTHER ASSETS** | | |
| Notes receivable, net annual amortization | - | 3,666 |
| Property investments | 80,577 | 80,577 |
| Other assets | 587 | 561 |
| | 81,164 | 84,804 |
| | $ 1,927,963 | $ 1,465,746 |

The accompanying notes are an integral part of these statements.

| | 2011 | 2010 |
|---|---|---|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Tenant deposits | $ 6,657 | $ 5,337 |
| Accounts payable | 7,453 | 12,578 |
| Grants payable | 138,018 | - |
| Line-of-credit | 18,000 | 16,500 |
| Current maturities of long-term debt | 74,877 | 65,318 |
| Accrued payroll and liabilities | 28,990 | 5,569 |
| Total current liabilities | 273,995 | 105,302 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, less current maturities | 264,705 | 199,779 |
| Contingent liability | 686,468 | 311,756 |
| | 951,173 | 511,535 |
| Total liablilties | 1,225,168 | 616,837 |
| NET ASSETS | | |
| Unrestricted net assets | 628,444 | 779,742 |
| Temporarily restricted net assets | 74,351 | 69,167 |
| | 702,795 | 848,909 |
| | $ 1,927,963 | $ 1,465,746 |

Bridges Community Services, Inc.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2011

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public Support and Revenue | | | |
| Public Support | | | |
| Grants | $ 1,092,735 | $ 74,351 | $ 1,167,086 |
| Contributions | 51,753 | | 51,753 |
| Total public support | 1,144,488 | 74,351 | 1,218,839 |
| Revenue | | | |
| Rental income | 31,961 | | 31,961 |
| Program fees | 23,490 | | 23,490 |
| Developer fees | 11,693 | | 11,693 |
| Miscellaneous income | 6,179 | | 6,179 |
| Total revenue | 73,323 | | 73,323 |
| Net assets released from restrictions | | | |
| Restrictions satisfied by payments | 69,167 | (69,167) | |
| Total public support and revenue | 1,286,978 | 5,184 | 1,292,162 |
| Expenses | | | |
| Program services | | | |
| Transitional Housing Program | 559,288 | | 559,288 |
| HPRP Program | 505,999 | | 505,999 |
| Senior Employment Program | 169,419 | | 169,419 |
| | 1,234,706 | | 1,234,706 |
| Supporting services | | | |
| Management and General | 203,570 | | 203,570 |
| | 1,438,276 | | 1,438,276 |
| INCREASE (DECREASE) IN NET ASSETS | (151,298) | 5,184 | (146,114) |
| Net assets at beginning of year | 779,742 | 69,167 | 848,909 |
| Net assets at end of year | $ 628,444 | $ 74,351 | $ 702,795 |

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2010

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public Support and Revenue | | | |
| Public Support | | | |
| Grants | $ 1,324,582 | $ 69,167 | $ 1,393,749 |
| Contributions | 59,607 | | 59,607 |
| 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) |
| Total revenue | 61,542 | | 61,542 |
| Net assets released from restrictions | | | |
| Restrictions satisfied by payments | 5,000 | (5,000) | |
| 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 |
| Senior Employment Program | | | |
| | 1,119,464 | | 1,119,464 |
| Supporting services | | | |
| Management and General | 196,350 | | 196,350 |
| Total expenses | 1,315,814 | | 1,315,814 |
| INCREASE IN NET ASSETS | 134,917 | 64,167 | 199,084 |
| Net assets at beginning of year | 644,825 | 5,000 | 649,825 |
| Net assets at end of year | $ 779,742 | $ 69,167 | $ 848,909 |

The accompanying notes are an integral part of this statement.

## Bridges Community Services, Inc.

## STATEMENTS OF CASH FLOW

### Year Ended May 31,

| | 2011 | 2010 |
|---|---|---|
| Cash flow from operating activities: | | |
| Increase (decrease) in net assets | $ (146,114) | $ 199,084 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Donated assets | (17,000) | |
| Depreciation | 40,273 | 40,709 |
| Amortization | 3,822 | 4,138 |
| Loss on disposal of assets | | 15,404 |
| (Increase) decrease in assets: | | |
| Promises to give | 4,167 | (49,167) |
| Receivables | (90,874) | (41,183) |
| Prepaid insurance | (9,007) | |
| Increase (decrease) in liabilities: | | |
| Tenant deposits | 1,320 | 445 |
| Payables | 132,893 | 10,592 |
| Accrued payroll and liabilities | 23,421 | (9,483) |
| Net cash provided by (used in) operating activities | (57,099) | 170,539 |
| Cash flow from investing activities: | | |
| Proceeds from sale of property and equipment | | 4,700 |
| Purchase of property and equipment | (382,385) | (79,806) |
| Net cash used in investing activities | (382,385) | (75,106) |
| Cash flow from financing activities: | | |
| Proceeds from issuance of long-term debt | 374,611 | 58,135 |
| Long-term debt closing costs | (182) | (110) |
| Proceeds from HOME grant/loan | 374,712 | 70,256 |
| Principal payments on long-term debt | (300,126) | (67,918) |
| Net borrowing under line-of-credit | 1,500 | (6,000) |
| Net cash provided by financing activities | 450,515 | 54,363 |
| Net increase in cash and cash equivalents | 11,031 | 149,796 |
| Cash and cash equivalents at beginning of year | 163,739 | 13,943 |
| Cash and cash equivalents at end of year | $ 174,770 | $ 163,739 |
| Interest paid | $ 23,498 | $ 25,366 |

The accompanying notes are an integral part of these statements.

Bridges Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2011

| | Transitional Housing Program | HPRP Program | Senior Employment Program | Total Programs |
|---|---|---|---|---|
| Wages | $ 264,067 | $ | $ 141,523 | $ 405,590 |
| Payroll taxes | 19,034 | | 11,884 | 30,918 |
| Employee benefits | 37,831 | | 2,239 | 40,070 |
| Advertising | 1,760 | | | 1,760 |
| Bad debt | 1,252 | | | 1,252 |
| Client services | 22,268 | | | 22,268 |
| Insurance | 14,370 | | 1,290 | 15,660 |
| Interest | 16,449 | | | 16,449 |
| Office supplies and expense | 12,582 | | 1,631 | 14,213 |
| Professional fees | 10,866 | | 326 | 11,192 |
| Real estate taxes | 3,058 | | | 3,058 |
| Repairs and maintenance | 17,773 | | 2,805 | 20,578 |
| Travel | | | 1,006 | 1,006 |
| Utilities and telephone | 58,612 | | 185 | 58,797 |
| Program expenses | 32,286 | | 6,530 | 38,816 |
| Program expenses-HPRP (Schedule) | | 505,999 | | 505,999 |
| Miscellaneous | 3,563 | | | 3,563 |
| Depreciation | 39,695 | | | 39,695 |
| Amortization | 156 | | | 156 |
| First-time home buyer amortization expense | 3,666 | | | 3,666 |
| | $ 559,288 | $ 505,999 | $ 169,419 | $ 1,234,706 |

The accompanying notes are an integral part of this statement.

| Mangement and General | Total |
|---|---|
| $ 113,172 | $ 518,762 |
| 8,158 | 39,076 |
| 16,213 | 56,283 |
| | 1,760 |
| | 1,252 |
| | 22,268 |
| 6,159 | 21,819 |
| 7,049 | 23,498 |
| 5,392 | 19,605 |
| 4,657 | 15,849 |
| 1,310 | 4,368 |
| 7,617 | 28,195 |
| 6,618 | 7,624 |
| 25,120 | 83,917 |
| | 38,816 |
| | 505,999 |
| 1,527 | 5,090 |
| 578 | 40,273 |
| | 156 |
| | 3,666 |
| $ 203,570 | $ 1,438,276 |

Bridges Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2010

| | Transitional Housing Program | HPRP Program | Senior Employment Program | Total Programs |
|---|---|---|---|---|
| Wages | $ 256,335 | $ | $ | $ 256,335 |
| Payroll taxes | 21,494 | | | 21,494 |
| Employee benefits | 33,268 | | | 33,268 |
| Advertising | 1,430 | | | 1,430 |
| Bad debt | 1,285 | | | 1,285 |
| Client services | 17,046 | | | 17,046 |
| Insurance | 19,392 | | | 19,392 |
| Interest | 17,756 | | | 17,756 |
| Office supplies and expense | 11,810 | | | 11,810 |
| Professional fees | 11,559 | | | 11,559 |
| Real estate taxes | 545 | | | 545 |
| Repairs and maintenance | 13,895 | | | 13,895 |
| Travel | | | | |
| Utilities and telephone | 51,100 | | | 51,100 |
| Program expenses | 53,693 | | | 53,693 |
| Program expenses-HPRP (Schedule) | | 558,537 | | 558,537 |
| Miscellaneous | 5,881 | | | 5,881 |
| Depreciation | 40,300 | | | 40,300 |
| Amortization | 138 | | | 138 |
| First-time home buyer amortization expense | 4,000 | | | 4,000 |
| | $ 560,927 | $ 558,537 | $ | $ 1,119,464 |

The accompanying notes are an integral part of this statement.

| Mangement and General | Total |
|---|---|
| $ 109,858 | $ 366,193 |
| 9,211 | 30,705 |
| 14,257 | 47,525 |
| | 1,430 |
| | 1,285 |
| | |
| | 17,046 |
| 8,311 | 27,703 |
| 7,610 | 25,366 |
| 5,061 | 16,871 |
| 4,954 | 16,513 |
| | |
| 233 | 778 |
| 5,955 | 19,850 |
| 6,070 | 6,070 |
| 21,900 | 73,000 |
| | 53,693 |
| | |
| | 558,537 |
| 2,521 | 8,402 |
| 409 | 40,709 |
| | 138 |
| | 4,000 |
| $ 196,350 | $ 1,315,814 |

Bridges Community Services, Inc.

SCHEDULES OF HPRP PROGRAM EXPENSES

Year Ended May 31,

| | 2011 | 2010 |
|---|---|---|
| Rental assistance | $ 359,718 | $ 424,917 |
| Security deposits | 37,786 | 31,526 |
| Utility deposits | 17,343 | 13,161 |
| Utility payments | 19,319 | 17,804 |
| Housing inspections | 2,350 | 2,031 |
| Staffing costs | 11,001 | 14,997 |
| Case management | 13,219 | 10,998 |
| Outreach and engagement | 5,225 | 3,266 |
| Housing search and placement | 10,648 | 4,877 |
| Credit repair | 10,639 | 4,877 |
| Data collection and evaluation | 6,149 | 13,601 |
| Administration | 12,602 | 16,482 |
| | $ 505,999 | $ 558,537 |

The accompanying notes are an integral part of these schedules.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Organization

Bridges Community Services, Inc. (Bridges) 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 and government entities. Approximately 75% of the Organization's support for the years ended May 31, 2011 and 2010 came from grants authorized by the Department of Housing and Urban Development.

Bridges' major programs (as relative to federal awards) are its Homeless Prevention and Rapid Re-housing (HPRP) Program, and the Supportive Housing program and its HOME Investment Partnership program within its Transitional Housing Program. The majority of the funding for these programs consists of grants from the Department of Housing and Urban Development which are passed through from the Indiana Housing and Community Development Authority and the Muncie, Indiana Community Development Office. Collectively, these programs provide services to individuals in Delaware County, Indiana and surrounding counties in east-central Indiana.

### 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 (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification as the source of authoritative accounting principles to be applied in the preparation of financial statements in conformity with GAAP.

### 3. Financial Statement Presentation

In accordance with GAAP, 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 and the Senior Employment Program require their 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.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Receivables

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management evaluates receivables annually on an individual basis. 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.

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 2007.

10. Public Support and Revenue

In accordance with GAAP, 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.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

12. Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs, if not directly traceable, have been allocated between the program services and supporting services benefited.

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.

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 the following.

| | 2011 | 2010 |
|---|---|---|
| United Way operating | $50,000 | $54,167 |
| Amounts due in: | | |
| Less than one year | $50,000 | $54,167 |
| One to five years | | |
| | $50,000 | $54,167 |

Uncollectible promises are expected to be insignificant.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## 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 was to 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 of interest, was to be due to Bridges Community Services, Inc. The amount amortized for the years ending May 31, 2011 and 2010 was $3,666 and $4,000, respectively. At May 31, 2011, the loans are fully amortized.

## NOTE D - LINE OF CREDIT

The Organization has a line of credit agreement which provides lending up to a maximum of $25,000. This agreement matures annually and is currently due to mature in November 2011. Advances are due to be repaid at maturity with interest payable monthly at a rate of 8.00%, during both years ending May 31, 2011 and 2010. The balance outstanding at May 31, 2011 and 2010 was $18,000 and $16,500, respectively. This line of credit is secured by property located in Muncie, Indiana.

## NOTE E - LONG-TERM DEBT

Long-term debt consisted of the following at May 31.

| | 2011 | 2010 |
|---|---|---|
| Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling $5,430 and $3,818 at May 31, 2011 and 2010, respectively, including variable interest rates varying between 4.50% to 8.509% and maturing at various dates from 2011 to 2026. | $319,828 | $265,097 |
| Loan payable, secured by a vehicle, due in monthly installments of $424 at May 31, 2011, including fixed interest at a rate of 5.90% and maturing in October 2015. | 19,754 | |
| | 339,582 | 265,097 |
| Less current maturities | 74,877 | 65,318 |
| | $264,705 | $199,779 |

Annual maturities for the five years ending May 31 are as follows.

| | |
|---|---|
| May 31, 2012 | $ 74,877 |
| 2013 | 83,574 |
| 2014 | 32,862 |
| 2015 | 31,063 |
| 2016 | 45,023 |
| 2017 and thereafter | 72,183 |
| | $339,582 |

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE F - CONTINGENT LIABILITY

Bridges Community Services, Inc. has received HOME forgivable loans from a government entity to rehabilitate certain real property for use in its Transitional Housing program. As per the HOME forgivable loan agreements, these funds need not be paid back provided there is no default of any of the provision of said agreement. Restrictions relating to occupancy requirements are dictated by the terms of each forgivable loan. The forgivable loans from this government entity are described below.

| | 2011 | 2010 |
|---|---|---|
| City of Muncie, Indiana's Department of Community Development, forgivable in its entirety 15 years after the date the final payment is disbursed by the City. As of May 31, 2011, the final payment has not yet been disbursed. | $328,035 | |
| City of Muncie, Indiana's Department of Community Development, forgivable in its entirety 10 years after the date the final payment is disbursed by the City. The final payment was disbursed in December 2010. | 116,933 | $ 70,256 |
| City of Muncie, Indiana's Department of Community Development, forgivable in its entirety 15 years after the date the final payment is disbursed by the City. The final payment was disbursed in February 2009. | 241,500 | 241,500 |
| | $686,468 | $311,756 |

## NOTE G - RESTRICTIONS ON ASSETS

At May 31, 2011, temporarily restricted net assets consist of an unconditional promise to give in the form of an operating allocation from the United Way and a grant restriction requirement.

At May 31, 2010, 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.

| | 2011 | 2010 |
|---|---|---|
| United Way grant for program operations | $50,000 | $54,167 |
| Grant/donor-imposed restriction not yet satisfied | 24,351 | 15,000 |
| | $74,351 | $69,167 |

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE G - RESTRICTIONS ON ASSETS - Continued

Net assets were released from donor restrictions by satisfying restrictions as follows.

| | 2011 | 2010 |
|---|---|---|
| Time restriction expired on United Way grant | $54,167 | |
| Restrictions satisfied on grant/donor-imposed contributions | 15,000 | $5,000 |
| | $69,167 | $5,000 |

The following assets are temporarily restricted for the purpose of satisfying grant requirements/payables. These restrictions have no effect on temporarily restricted net assets at May 31.

| | 2011 | 2010 |
|---|---|---|
| Cash | $123,856 | $138,018 |
| Grants receivable | 38,513 | |
| | $162,369 | $138,018 |

## NOTE H - DONATED MATERIALS AND SERVICES

The Organization received certain donated materials and services for use in its Transitional Housing Program. The value of donated materials and services meeting the requirements for recognition in the financial statements was $27,679 and $48,644 during the years ended May 31, 2011 and 2010, respectively. The amounts reflected in the accompanying financial statements as donated contributions are offset by like amounts included in program expenses.

Additionally, the Organization has received in-kind services for use in its Senior Employment Program not recognized in the financial statements because these services do not meet the criteria for recognition as contributed services. The 2,658.2 total in-kind hours received for the year ended May 31, 2011 has an estimated fair value of $19,272.

Many unpaid volunteers have donated significant amounts of their time to the Organization's Transitional Housing Program. Volunteers donated about 805 and 767 hours, with an estimated fair value of $6,050 and $5,953 during the years ended May 31, 2011 and 2010, respectively. However, no amounts were recognized in the statements of activities because the requirements for recognition in the financial statements had not been met.

## NOTE I - INTEREST EXPENSE

Interest costs totaling $23,498 and $25,366 were incurred during the years ended May 31, 2011 and 2010, respectively. No interest costs were capitalized as part of the costs of assets acquired during the year.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE J - FAIR VALUE MEASUREMENTS

GAAP 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 GAAP 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 that 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.

## 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 either May 31, 2011 or 2010.

## NOTE L - PAYEE ACCOUNT

The Organization serves as the representative payee, approved by the Social Security Administration (SSA), for a consumer who requires assistance with financial responsibilities. The SSA requires the Organization to maintain a separate bank account into which the SSA makes direct deposits for the consumer to be used for the benefit of said consumer. While the SSA required the Organization to set up this payee bank account in the Organization's name, these monies do not belong to the Organization. Therefore, the Organization has recorded an off-setting amount presented on the statement of financial position in accounts payable for the cash in this payee account. At May 31, 2011 and 2010, the balance in this account was $3,443 and $-0-, respectively.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

## NOTE M - 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 and/or rehabilitated using 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 City holds mortgages on several of these properties during 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, as lessor, had entered into lease purchase agreements for various properties it owns. The option periods for these agreements were set to 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 had committed to providing forgivable loans secured with second mortgages to the lessees. The majority of these forgivable loans' funds were available to the lessee via a governmental first-time home buyer program. All lease purchase agreements terminated during the year ending May 31, 2011.

## NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 12, 2011, 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, 2011

| 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 | IN0049B5H020802/ IN0028B5H020802 | $ 432,077 |
| Pass-through programs from: | | | |
| Muncie, Indiana Community Development Office: | | | |
| Community Development Block Grant: Transitional Housing | 14.218 | | 29,035 |
| HOME Investment Partnerships Program | 14.239 | | 305,450 |
| Indiana Housing and Community Development Authority: | | | |
| Emergency Shelter Grant Program | 14.231 | ES-010-007 | 27,226 |
| ARRA Homeless Prevention and Rapid Re-housing Program | 14.257 | HPRP-09-05 | 492,987 |
| Total Department of Housing and Urban Development | | | 1,286,775 |
| **Department of Health and Human Services** | | | |
| Pass-through from: | | | |
| Indiana Housing and Community Development Authority: | | | |
| Community Services Block Grant | 93.569 | CS-11-007CSBG | 4,677 |
| **Department of Labor** | | | |
| Pass-through from: | | | |
| Senior Service America, Inc.: | | | |
| Senior Community Service Employment Program | 17.235 | Project No. 317 | 169,419 |
| **Total expenditures of federal awards** | | | $ 1,460,871 |

Bridges Community Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended May 31, 2011

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bridges Community Services, Inc. under programs of the federal government for the year ended May 31, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Bridges Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flow of Bridges Community Services, Inc.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bridges Community Services, Inc. under programs of the federal government for the year ended May 31, 2010. 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*. Because the Schedule presents only a selected portion of the operations of Bridges Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flow of Bridges Community Services, Inc.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Bridges Community Services, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2011

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 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."

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:

| CFDA # | Name of Program |
|---|---|
| 14.235 | Supportive Housing Program |
| 14.239 | HOME Investment Partnership 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.

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 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."

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:

| CFDA # | Name of Program |
|---|---|
| 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 years ended May 31, 2011 and 2010, and have issued our report thereon dated October 12, 2011. We conducted our audits 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 audits, 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.

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**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 audits, 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 12, 2011.

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 12, 2011

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 years ended May 31, 2011 and 2010. Bridges Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedules 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion. Our audits do 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 years ended May 31, 2011 and 2010.

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**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 audits, 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.

Summers, Carroll, Whisler LLC

Muncie, Indiana
October 12, 2011