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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, 2011 to May 31, 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 Bridges Community Services, Inc., as of May 31, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
BRIDGES COMMUNITY SERVICES, INC.  
MAY 31, 2012 AND 2011**

## 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 statements of financial position of Bridges Community Services, Inc. (a nonprofit organization) as of May 31, 2012 and 2011, 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 provide 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, 2012 and 2011, 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 November 12, 2012 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 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.

*Summus, Carroll, Whisler LLC*

Muncie, Indiana  
November 12, 2012

**Bridges Community Services, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**

May 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 69,234	\$ 174,770
Promises to give	-	50,000
Grants receivable	78,777	126,498
Accounts receivable	4,207	7,943
Prepaid insurance	9,007	9,007
	<hr/>	<hr/>
Total current assets	161,225	368,218
<b>PROPERTY AND EQUIPMENT</b>		
Building and land	2,065,654	1,734,851
Furnishings	4,441	4,441
Vehicles	71,929	71,929
Equipment	9,036	9,036
	<hr/>	<hr/>
	2,151,060	1,820,257
Less accumulated depreciation	389,544	341,676
	<hr/>	<hr/>
	1,761,516	1,478,581
<b>OTHER ASSETS</b>		
Property investments	80,577	80,577
Other assets	413	587
	<hr/>	<hr/>
	80,990	81,164
	<hr/>	<hr/>
	\$ 2,003,731	\$ 1,927,963
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

	2012	2011
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Tenant deposits	\$ 14,199	\$ 6,657
Accounts payable	13,213	7,453
Grants payable	12,922	138,018
Line-of-credit	12,000	18,000
Current maturities of long-term debt	79,571	74,877
Accrued payroll and liabilities	31,058	28,990
Total current liabilities	162,963	273,995
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities	325,918	264,705
Contingent liability	895,294	686,468
	1,221,212	951,173
Total liabilities	1,384,175	1,225,168
<b>NET ASSETS</b>		
Unrestricted net assets	613,239	628,444
Temporarily restricted net assets	6,317	74,351
	619,556	702,795
	<u>\$ 2,003,731</u>	<u>\$ 1,927,963</u>

## Bridges Community Services, Inc.

## STATEMENT OF ACTIVITIES

Year Ended May 31, 2012

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Grants	\$ 1,610,983	\$ 3,250	\$ 1,614,233
Contributions	23,354		23,354
Total public support	1,634,337	3,250	1,637,587
Revenue			
Rental income	43,629		43,629
Program fees	20,352		20,352
Miscellaneous income	14,959		14,959
Loss on disposal of assets	(9,211)		(9,211)
Total revenue	69,729		69,729
Net assets released from restrictions			
Restrictions satisfied by payments	71,284	(71,284)	
Total public support and revenue	1,775,350	(68,034)	1,707,316
Expenses			
Program services			
Transitional Housing Program	578,883		578,883
HRP Program	412,531		412,531
Senior Employment Program	615,764		615,764
	1,607,178		1,607,178
Supporting services			
Management and General	183,377		183,377
	1,790,555		1,790,555
DECREASE IN NET ASSETS	(15,205)	(68,034)	(83,239)
Net assets at beginning of year	628,444	74,351	702,795
Net assets at end of year	\$ 613,239	\$ 6,317	\$ 619,556

The accompanying notes are an integral part of this statement.



## 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.

## STATEMENTS OF CASH FLOW

Year Ended May 31,

	2012	2011
Cash flow from operating activities:		
Decrease in net assets	\$ (83,239)	\$ (146,114)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Donated assets		(17,000)
Depreciation	54,628	40,273
Amortization	174	3,822
Loss on disposal of assets	9,211	
(Increase) decrease in assets:		
Promises to give	50,000	4,167
Receivables	51,457	(90,874)
Prepaid insurance		(9,007)
Increase (decrease) in liabilities:		
Tenant deposits	7,542	1,320
Payables	(119,336)	132,893
Accrued payroll and liabilities	2,068	23,421
Net cash used in operating activities	(27,495)	(57,099)
Cash flow from investing activities:		
Proceeds from sale of property and equipment	36,030	
Purchase of property and equipment	(382,803)	(382,385)
Net cash used in investing activities	(346,773)	(382,385)
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	385,810	374,611
Long-term debt closing costs		(182)
Proceeds from HOME grant/loan	208,826	374,712
Principal payments on long-term debt	(319,904)	(300,126)
Net borrowing under line-of-credit	(6,000)	1,500
Net cash provided by financing activities	268,732	450,515
Net increase (decrease) in cash and cash equivalents	(105,536)	11,031
Cash and cash equivalents at beginning of year	174,770	163,739
Cash and cash equivalents at end of year	\$ 69,234	\$ 174,770
Interest paid	\$ 28,780	\$ 23,498

The accompanying notes are an integral part of these statements.

**Bridges Community Services, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended May 31, 2012**

	Transitional Housing Program	HPRP Program	Senior Employment Program	Total Programs
Wages	\$ 242,581		\$ 547,828	\$ 790,409
Payroll taxes	20,919		42,671	63,590
Employee benefits	48,134		14,087	62,221
Advertising	208			208
Bad debt	5,878			5,878
Client services	5,096		105	5,201
Insurance	24,559		3,080	27,639
Interest	28,780			28,780
Office supplies and expense	14,189		4,375	18,564
Professional fees	22,135			22,135
Real estate taxes	4,793			4,793
Repairs and maintenance	28,558			28,558
Travel	4,183		2,035	6,218
Utilities and telephone	53,655		1,273	54,928
Program expenses	14,567		310	14,877
Program expenses-HPRP (Schedule)		\$ 412,531		412,531
Miscellaneous	5,846			5,846
Depreciation	54,628			54,628
Amortization	174			174
	<u>\$ 578,883</u>	<u>\$ 412,531</u>	<u>\$ 615,764</u>	<u>\$ 1,607,178</u>

The accompanying notes are an integral part of this statement.

Management and General	Total
\$ 103,963	\$ 894,372
8,965	72,555
20,629	82,850
	208
	5,878
2,184	7,385
10,525	38,164
	28,780
6,081	24,645
	22,135
	4,793
	28,558
1,792	8,010
22,995	77,923
6,243	21,120
	412,531
	5,846
	54,628
	174
<u>\$ 183,377</u>	<u>\$ 1,790,555</u>

**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
	<u>\$ 559,288</u>	<u>\$ 505,999</u>	<u>\$ 169,419</u>	<u>\$ 1,234,706</u>

The accompanying notes are an integral part of this statement.

Management 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
<u>\$ 203,570</u>	<u>\$ 1,438,276</u>

**Bridges Community Services, Inc.**  
**SCHEDULES OF HPRP PROGRAM EXPENSES**  
**Year Ended May 31,**

	<u>2012</u>	<u>2011</u>
Rental assistance	\$ 251,830	\$ 359,718
Security deposits	35,361	37,786
Utility deposits	14,466	17,343
Utility payments	18,794	19,319
Housing inspections	2,386	2,350
Staffing costs	24,054	11,001
Case management	22,756	13,219
Outreach and engagement	727	5,225
Housing search and placement	7,778	10,648
Credit repair	9,276	10,639
Data collection and evaluation	8,318	6,149
Administration	16,785	12,602
	<u>\$ 412,531</u>	<u>\$ 505,999</u>

The accompanying notes are an integral part of these schedules.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2012 and 2011

## 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 35% and 55% of the Organization's support for the year ended May 31, 2012 came from grants authorized by the Department of Labor and the Department of Housing and Urban Development, respectively; while approximately 75% of the Organization's support for the year ended May 31, 2011 came from grants authorized by the Department of Housing and Urban Development.

Bridges' major programs (as relative to federal awards) during the year ended May 31, 2012 are its Senior Community Service Employment Program and its Homeless Prevention and Rapid Re-housing (HPRP) Program within its Transitional Housing Program. The funding for these programs consists of pass-through grants from the Department of Labor and the Department of Housing and Urban Development, respectively. During the year ended May 31, 2011, Bridges' major programs were its Homeless Prevention and Rapid Re-housing (HPRP) Program, its Supportive Housing program, and its HOME Investment Partnership program within its Transitional Housing Program. The majority of the funding for these programs consisted of pass-through grants from the Department of Housing and Urban Development. 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.

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, 2012 and 2011

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 2008.

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, 2012 and 2011

**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- and part-time employees are entitled to paid vacations, sick days and personal days based upon continuous employment applicable to a yearly sliding scale as presented in the Organization's policies. 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**

There are no contributions at May 31, 2012 that meet the criteria to be classified as an unconditional promise to give. Unconditional promises to give at May 31, 2011 consisted of the following.

	<u>2011</u>
United Way operating	<u>\$50,000</u>
Amounts due in:	
Less than one year	\$50,000
One to five years	<u>          </u>
	<u>\$50,000</u>

Uncollectible promises were expected to be insignificant.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2012 and 2011

## 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 year ending May 31, 2011 was \$3,666. At May 31, 2011, the loans were 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 2012. Advances are due to be repaid at maturity with interest payable monthly at a rate of 8.009%, during both years ending May 31, 2012 and 2011. The balance outstanding at May 31, 2012 and 2011 was \$12,000 and \$18,000, 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.

	<u>2012</u>	<u>2011</u>
Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling \$5,415 and \$5,430 at May 31, 2012 and 2011, respectively, including variable interest rates varying between 4.50% to 8.509% and maturing at various dates from 2012 to 2026.	\$389,769	\$319,828
Loan payable, secured by a vehicle, due in monthly installments of \$424, including interest at a fixed rate of 5.90% at both May 31, 2012 and 2011, and maturing in October 2015.	<u>15,720</u>	<u>19,754</u>
	405,489	339,582
Less current maturities	<u>79,571</u>	<u>74,877</u>
	<u>\$325,918</u>	<u>\$264,705</u>

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

2013	\$ 79,571
2014	27,823
2015	25,670
2016	39,215
2017	189,904
Thereafter	<u>43,306</u>
	<u>\$405,489</u>

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2012 and 2011

## 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.

	<u>2012</u>	<u>2011</u>
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, 2012, the final payment has not yet been disbursed.	\$536,861	\$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	116,933
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.	<u>241,500</u>	<u>241,500</u>
	<u>\$895,294</u>	<u>\$686,468</u>

## NOTE G - RESTRICTIONS ON ASSETS

At May 31, 2012, temporarily restricted net assets consists of a grant restriction requirement and at May 31, 2011 temporarily restricted net assets consisted of an unconditional promise to give in the form of an operating allocation from the United Way and a grant restriction requirement.

Temporarily restricted net assets are available as follows.

	<u>2012</u>	<u>2011</u>
United Way grant for program operations		\$50,000
Grant/donor-imposed restriction not yet satisfied	<u>\$6,317</u>	<u>24,351</u>
	<u>\$6,317</u>	<u>\$74,351</u>

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2012 and 2011

## NOTE G - RESTRICTIONS ON ASSETS - Continued

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

	<u>2012</u>	<u>2011</u>
Time restriction expired on United Way grant	\$50,000	\$54,167
Restrictions satisfied on grant/donor-imposed contributions	<u>21,284</u>	<u>15,000</u>
	<u>\$71,284</u>	<u>\$69,167</u>

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.

	<u>2012</u>	<u>2011</u>
Cash	\$15,592	\$123,856
Grants receivable	<u>33,584</u>	<u>38,513</u>
	<u>\$49,176</u>	<u>\$162,369</u>

## NOTE H - DONATED MATERIALS AND SERVICES

During the year ended May 31, 2011, the City of Muncie, Indiana, through its Community Development Department, entered into contracts with third-party providers to provide structural improvements to and inspection thereof the Organization's properties in order to remediate health and safety issues, reduce energy consumption, and/or improve accessibility. At May 31, 2012, any materials and services provided have not yet been approved by the Organization. Therefore, as no beneficial amount can yet be quantified, no amounts are reflected in the accompanying financial statements.

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 \$19,793 and \$27,679 during the years ended May 31, 2012 and 2011, 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 11,686 total in-kind hours received for the year ended May 31, 2012 has an estimated fair value of \$126,938. 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 117 and 805 hours, with an estimated fair value of \$932 and \$6,050 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.

**Bridges Community Services, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**May 31, 2012 and 2011**

**NOTE I - INTEREST EXPENSE**

Interest costs totaling \$28,780 and \$23,498 were incurred during the years ended May 31, 2012 and 2011, respectively. No interest costs were capitalized as part of the costs of assets acquired during the year.

**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 lowest level of any input that is significant to the fair value measurement. Management has determined that the majority 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 are 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, 2012 or 2011.

**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

**Bridges Community Services, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**May 31, 2012 and 2011**

**NOTE L - PAYEE ACCOUNT - Continued**

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, 2012 and 2011, the balance in this account was \$5,978 and \$3,443, respectively.

**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 November 12, 2012, the date which the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

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## Bridges Community Services, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended May 31, 2012

<b>Federal Grantor/Pass-through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Grant Contract Number</b>	<b>Federal Expenditure</b>
<b>Department of Housing and Urban Development</b>			
Supportive Housing Program	14.235	IN0049B5H0 21003/21104 IN0028B5H0 20802/21003	\$ 398,202
Pass-through programs from:			
Muncie, Indiana Community Development Office:			
Community Development Block Grant: Transitional Housing	14.218		38,075
HOME Investment Partnerships Program	14.239		241,180
Indiana Housing and Community Development Authority:			
Emergency Shelter Grant Program	14.231	ES-011-005	51,801
ARRA Homeless Prevention and Rapid Re-housing Program	14.257	HPRP-09-05	542,006
Total Department of Housing and Urban Development			<u>1,271,264</u>
<b>Department of Health and Human Services</b>			
Pass-through from:			
Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-12-007CSBG	1,620
<b>Department of Labor</b>			
Pass-through from:			
Senior Service America, Inc.:			
Senior Community Service Employment Program	17.235	Project 314/Sponsor 317	591,662
<b>Department of Homeland Security</b>			
Pass-through from:			
United Way of Delaware County:			
Emergency Food and Shelter Program	97.024		<u>5,500</u>
Total expenditures of federal awards			<u>\$ 1,870,046</u>

**Bridges Community Services, Inc.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

**Year Ended May 31, 2012**

**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, 2012. 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, 2011

<b>Federal Grantor/Pass-through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Grant Contract Number</b>	<b>Federal Expenditure</b>
<b>Department of Housing and Urban Development</b>			
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
<b>Department of Health and Human Services</b>			
Pass-through from:			
Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-11-007CSBG	4,677
<b>Department of Labor</b>			
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 FINDINGS AND QUESTIONED COSTS**

**Year Ended May 31, 2012**

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:

<u>CFDA #</u>	<u>Name of Program</u>
14.257	ARRA Homeless Prevention and Rapid Re-housing Program
17.235	Senior Community Service Employment 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, 2011

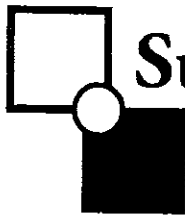
1. The auditors' report expresses an unqualified opinion on the financial statements of Bridges Community Services, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Financial Statements and Schedule of Federal Awards."
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:

<u>CFDA #</u>	<u>Name of Program</u>
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.

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## 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, 2012 and 2011, and have issued our report thereon dated November 12, 2012. 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.



### 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*.

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 LLC*

Muncie, Indiana  
November 12, 2012



# Summers, Carroll, Whisler *LLC*

*Certified Public Accountants*

**INDEPENDENT AUDITORS' 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, 2012 and 2011. 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, 2012 and 2011.

## 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  
November 12, 2012