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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, 2012 to May 31, 2013. 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, 2013, 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, 2013 AND 2012

C O N T E N T S

Summers, Carroll, Whisler LLC
Certified Public Accountants

Independent Auditors' Report

Board of Directors

Bridges Community Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bridges Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities and cash flow, and the schedules of functional expenses and HPRP program expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and HPRP expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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

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financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridges Community Services, Inc.'s internal control over financial reporting and compliance.

Summers, Carroll, Whisler LLC

Muncie, Indiana
November 14, 2013

Bridges Community Services, Inc.

STATEMENTS OF FINANCIAL POSITION

May 31,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 11,606	$ 69,234
Promises to give	43,333	-
Contracts receivable	8,207	-
Grants receivable	123,403	78,777
Accounts receivable	3,328	4,207
Prepaid insurance	9,007	9,007
Total current assets	198,884	161,225
PROPERTY AND EQUIPMENT		
Building and land	2,369,872	2,065,654
Furnishings	4,441	4,441
Vehicles	73,424	71,929
Equipment	9,036	9,036
	2,456,773	2,151,060
Less accumulated depreciation	454,568	389,544
	2,002,205	1,761,516
OTHER ASSETS		
Property investments	80,577	80,577
Other assets	1,238	413
	81,815	80,990
	$ 2,282,904	$ 2,003,731

The accompanying notes are an integral part of these statements.

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Tenant deposits	$ 16,238	$ 14,199
Accounts payable	95,813	13,213
Grants payable	-	12,922
Line-of-credit	21,495	12,000
Current maturies of long-term debt	32,551	79,571
Accrued payroll and liabilities	33,200	31,058
Total current liabilities	199,297	162,963
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	337,413	325,918
Contingent liability	1,034,896	895,294
	1,372,309	1,221,212
Total liablilties	1,571,606	1,384,175
NET ASSETS		
Unrestricted net assets	627,188	613,239
Temporarily restricted net assets	84,110	6,317
	711,298	619,556
	$ 2,282,904	$ 2,003,731

Bridges Community Services, Inc.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2013

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Grants	$ 1,235,102	$ 84,110	$ 1,319,212
Contracts receivable	51,573		51,573
Contributions	21,365		21,365
Total public support	1,308,040	84,110	1,392,150
Revenue			
Rental income	94,624		94,624
Program fees	8,444		8,444
Miscellaneous income	13,099		13,099
Loss on disposal of assets	(70)		(70)
Total revenue	116,097		116,097
Net assets released from restrictions			
Restrictions satisfied by payments	6,317	(6,317)	
Total public support and revenue	1,430,454	77,793	1,508,247
Expenses			
Program services			
Transitional Housing Program	609,259		609,259
HPRP Program	12,024		12,024
Senior Employment Program	597,195		597,195
	1,218,478		1,218,478
Supporting services			
Management and General	198,027		198,027
	1,416,505		1,416,505
INCREASE IN NET ASSETS	13,949	77,793	91,742
Net assets at beginning of year	613,239	6,317	619,556
Net assets at end of year	$ 627,188	$ 84,110	$ 711,298

The accompanying notes are an integral part of this statement.

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	559,634		559,634
HPRP Program	412,531		412,531
Senior Employment Program	615,764		615,764
	1,587,929		1,587,929
Supporting services			
Management and General	202,626		202,626
	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.

STATEMENTS OF CASH FLOW

Year Ended May 31,

	2013	2012
Cash flow from operating activities:		
Increase (Decrease) in net assets	$ 91,742	$ (83,239)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Donated assets	(181,991)	
Depreciation	65,024	54,628
Amortization	226	174
Loss on disposal of assets	70	9,211
(Increase) decrease in assets:		
Promises to give	(43,333)	50,000
Receivables	(51,954)	51,457
Increase (decrease) in liabilities:		
Tenant deposits	2,039	7,542
Payables	69,678	(119,336)
Accrued payroll and liabilities	2,142	2,068
Net cash used in operating activities	(46,357)	(27,495)
Cash flow from investing activities:		
Proceeds from sale of property and equipment		36,030
Purchase of property and equipment	(123,722)	(382,803)
Net cash used in investing activities	(123,722)	(346,773)
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	43,299	385,810
Long-term debt closing costs	(1,121)	
Proceeds from NSP3 and/or HOME grant/loan	139,602	208,826
Principal payments on long-term debt	(78,824)	(319,904)
Net borrowing under line-of-credit	9,495	(6,000)
Net cash provided by financing activities	112,451	268,732
Net decrease in cash and cash equivalents	(57,628)	(105,536)
Cash and cash equivalents at beginning of year	69,234	174,770
Cash and cash equivalents at end of year	$ 11,606	$ 69,234
Interest paid	$ 27,011	$ 28,780

The accompanying notes are an integral part of these statements.

Bridges Community Services, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended May 31, 2013

	Transitional Housing Program	HPRP Program	Senior Employment Program	Total Programs
Wages	$ 242,925		$ 524,488	$ 767,413
Payroll taxes	20,546		40,771	61,317
Employee benefits	54,436		17,278	71,714
Advertising	517			517
Bad debt	931			931
Client services	8,419		298	8,717
Insurance	25,073		3,246	28,319
Interest	18,908			18,908
Office supplies and expense	12,314		5,993	18,307
Professional fees	64,149			64,149
Real estate taxes	2,773			2,773
Repairs and maintenance	17,704			17,704
Travel	3,270		1,804	5,074
Utilities and telephone	48,990		2,722	51,712
Program expenses	20,827		595	21,422
Program expenses-HPRP (Schedule)		$ 12,024		12,024
Miscellaneous	2,869			2,869
Depreciation	64,382			64,382
Amortization	226			226
	$ 609,259	$ 12,024	$ 597,195	$ 1,218,478

The accompanying notes are an integral part of this schedule.

Management and General	Total
$ 104,111	$ 871,524
8,805	70,122
23,330	95,044
	517
	931
	8,717
10,745	39,064
8,103	27,011
5,277	23,584
4,610	68,759
1,189	3,962
7,587	25,291
1,402	6,476
20,996	72,708
	21,422
	12,024
1,230	4,099
642	65,024
	226
$ 198,027	$ 1,416,505

Bridges Community Services, Inc.

SCHEDULE 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	7,280		105	7,385
Insurance	24,559		3,080	27,639
Interest	20,146			20,146
Office supplies and expense	14,189		4,375	18,564
Professional fees	15,494			15,494
Real estate taxes	3,355			3,355
Repairs and maintenance	19,991			19,991
Travel	4,183		2,035	6,218
Utilities and telephone	53,655		1,273	54,928
Program expenses	20,810		310	21,120
Program expenses-HPRP (Schedule)		$ 412,531		412,531
Miscellaneous	4,092			4,092
Depreciation	53,986			53,986
Amortization	174			174
	$ 559,634	$ 412,531	$ 615,764	$ 1,587,929

The accompanying notes are an integral part of this schedule.

Management and General	Total
$ 103,963	$ 894,372
8,965	72,555
20,629	82,850
	208
	5,878
	7,385
10,525	38,164
8,634	28,780
6,081	24,645
6,641	22,135
1,438	4,793
8,567	28,558
1,792	8,010
22,995	77,923
	21,120
	412,531
1,754	5,846
642	54,628
	174
$ 202,626	$ 1,790,555

Bridges Community Services, Inc.

SCHEDULES OF HPRP PROGRAM EXPENSES

Year Ended May 31,

	2013	2012
Rental assistance		$ 251,830
Security deposits		35,361
Utility deposits		14,466
Utility payments		18,794
Housing inspections		2,386
Staffing costs	$ 727	24,054
Case management	4,680	22,756
Outreach and engagement		727
Housing search and placement		7,778
Credit repair		9,276
Data collection and evaluation	4,969	8,318
Administration	1,648	16,785
	$ 12,024	$ 412,531

The accompanying notes are an integral part of these schedules.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

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 34% and 39% of the Organization's support for the year ended May 31, 2013 came from grants authorized by the Department of Labor and the Department of Housing and Urban Development, respectively; while 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.

Bridges' major program (as relative to federal awards) during the year ended May 31, 2013 is its Senior Community Service Employment Program. The funding for this program consists of a pass-through grant from the Department of Labor. During the year ended May 31, 2012, Bridges' major programs were its Senior Community Service Employment Program and its Homeless Prevention and Rapid Re-housing (HPRP) Program within its Transitional Housing Program. The majority of the funding for these programs consisted of pass-through grants from the Department of Labor and the Department of Housing and Urban Development, respectively. 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, 2013 and 2012

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 2009.

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, 2013 and 2012

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

Unconditional promises to give at May 31, 2013 consist of the following.

	2013
United Way operating	$43,333
Amounts due in:	
Less than one year	$43,333
One to five years	———
	$43,333

Uncollectible promises were expected to be insignificant. There were no contributions at May 31, 2012 that met the criteria to be classified as an unconditional promise to give.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

NOTE C - 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 2013. Advances are due to be repaid at maturity with interest payable monthly at a rate of 8.009%, during both years ending May 31, 2013 and 2012. The balance outstanding at May 31, 2013 and 2012 was $21,495 and $12,000, respectively. This line of credit is secured by property located in Muncie, Indiana.

NOTE D - LONG-TERM DEBT

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

	2013	2012
Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling $4,509 and $5,415 at May 31, 2013 and 2012, respectively, including variable interest rates varying between 4.50% to 8.509% and maturing at various dates from 2014 to 2021.	$358,522	$389,769
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, 2013 and 2012,and maturing in October 2015.	11,442	15,720
	369,964	405,489
Less current maturities	32,551	79,571
	$337,413	$325,918

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

2014	$ 32,551
2015	38,622
2016	48,466
2017	200,169
2018	11,983
Thereafter	38,173
	$369,964

NOTE E - 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.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

NOTE E - CONTINGENT LIABILITY - Continued

	2013	2012
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 June 2013.	$ 536,861	$536,861
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.	241,500	241,500
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, 2013, the final payment has not yet been disbursed.	139,602	
	$1,034,896	$895,294

NOTE F - RESTRICTIONS ON ASSETS

At May 31, 2013, temporarily restricted net assets consists of an unconditional promise to give in the form of an operating allocation from the United Way and a grant restriction requirement and at May 31, 2012, temporarily restricted net assets consisted of a grant restriction requirement.

Temporarily restricted net assets are available as follows.

	2013	2012
United Way grant for program operations	$43,333	
Grant/donor-imposed restriction not yet satisfied	40,777	$6,317
	$84,110	$6,317

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

	2013	2012
Time restriction expired on United Way grant		$50,000
Restrictions satisfied on grant/donor-imposed contributions	$6,317	21,284
	$6,317	$71,284

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

NOTE F - RESTRICTIONS ON ASSETS – Continued

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.

	2013	2012
Cash		$15,592
Grants receivable	$13,820	33,584
	$13,820	$49,176

NOTE G - 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, 2013, the value of these materials and completed services recorded in the accompanying statement of financial position was $181,991. At May 31, 2012, any materials and services provided had not yet been quantified; therefore, no amounts were 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 $19,455 and $19,793 during the years ended May 31, 2013 and 2012, 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 11,390 total in-kind hours received for the year ended May 31, 2013 has an estimated fair value of $124,294. The 11,686 total in-kind hours received for the year ended May 31, 2012 has an estimated fair value of $126,938.

NOTE H - INTEREST EXPENSE

Interest costs totaling $27,011 and $28,780 were incurred during the years ended May 31, 2013 and 2012, respectively. No interest costs were capitalized as part of the costs of assets acquired during the year.

NOTE I - 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.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

NOTE I - FAIR VALUE MEASUREMENTS – Continued

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 J - 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, 2013 or 2012.

NOTE K - 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, 2013 and 2012, the balance in this account was $8,260 and $5,978, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

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

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

NOTE L - COMMITMENTS AND CONTINGENCIES – Continued

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 owns property at 109 South Council, Muncie, Indiana that was purchased and rehabilitated using NSP3 funds received via a forgivable loan from the City of Muncie, Indiana's Department of Community Development. This forgivable loan requires this property to provide housing for low- and moderate-income residents over the period of amortization. Additionally, the City holds a mortgage on this property during the period of amortization.

NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 14, 2013, 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, 2013

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	IN0049B5H0 21003/21104 IN0028B5H0 21003/21104	$ 364,231
Pass-through programs from:			
Muncie, Indiana Community Development Office:			
Community Development Block Grant:			
Transitional Housing	14.218		22,157
Neighborhood Stabilization Program 3	14.218		55,447
			77,604
HOME Investment Parternships Program	14.219		59,384
Indiana Housing and Community Development Authority:			
Emergency Shelter Grant Program	14.231	ES-012-006	42,211
ARRA Homeless Prevention and Rapid Re-housing Program	14.257	HPRP-09-05	41,222
Total Department of Housing and Urban Development			584,652
Department of Health and Human Services			
Pass-through from:			
Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-13-007CSBG	2,653
Department of Labor			
Pass-through from:			
Senior Service America, Inc.:			
Senior Community Service Employment Program	17.235	Project 314/Sponsor 317	505,818
Department of Homeland Security			
Pass-through from:			
United Way of Delaware County:			
Emergency Food and Shelter Program	97.024		7,275
Total expenditures of federal awards			$ 1,100,398

Bridges Community Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended May 31, 2013

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, 2013. 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, 2012

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	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			1,271,264
Department of Health and Human Services			
Pass-through from:			
Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-12-007CSBG	1,620
Department of Labor			
Pass-through from:			
Senior Service America, Inc.:			
Senior Community Service Employment Program	17.235	Project 314/Sponsor 317	591,662
Department of Homeland Security			
Pass-through from:			
United Way of Delaware County:			
Emergency Food and Shelter Program	97.024		5,500
Total expenditures of federal awards			$ 1,870,046

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 FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2013

Summary of the Auditors' Report

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 "Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By 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 program tested as a major program included:

CFDA #	Name of 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. was determined to be a low-risk auditee.

Findings Relating to Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

SPECIAL REPORTS

Summers, Carroll, Whisler LLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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, 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, the financial statements of Bridges Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities and cash flow, and the schedules of functional expenses and HPRP expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridges Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Summers, Carroll, Whisler LLC

Muncie, Indiana
November 14, 2013

Summers, Carroll, Whisler LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Bridges Community Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Bridges Community Services, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bridges Community Services, Inc.'s major federal programs for the year ended May 31, 2013. Bridges Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bridges Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bridges Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bridges Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bridges Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2013.

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Report on Internal Control over Compliance

Management of Bridges Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Bridges Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and to 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of AMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Simmons, Carroll, Whisler LLC

Muncie, Indiana
November 14, 2013