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February 5, 2015

Board of Directors
Newton County Community Services, Inc.
117 E. State Street
P.O. Box 140
Morocco, IN 47963

We have reviewed the audit report prepared by Comer, Nowling and Associates, P.C., for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Newton County Community Services, Inc., as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

**Newton County
Community Services, Inc.**

**Financial Statements
For The Years Ended
December 31, 2011 and 2010**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**NEWTON COUNTY COMMUNITY SERVICES, INC.
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newton County Community Services, Inc.
Morocco, Indiana

We have audited the accompanying statements of financial position of Newton County Community Services, Inc., (the "Organization") as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows 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. Those standards require that we plan and perform the audits 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 Newton County Community Services, Inc., as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
October 11, 2012

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS		2011	2010
CURRENT ASSETS:		<u>2011</u>	<u>2010</u>
Cash	\$	108,565	\$ 31,001
Accounts receivable		46,786	67,976
Prepaid expenses		1,874	6,426
Total current assets		<u>157,225</u>	<u>105,403</u>
PROPERTY AND EQUIPMENT:			
Land		8,400	8,400
Buildings and improvements		34,659	34,659
Furniture and equipment		8,721	8,721
Accumulated depreciation		<u>(23,949)</u>	<u>(21,578)</u>
Total property and equipment		<u>27,831</u>	<u>30,202</u>
Total assets	\$	<u>185,056</u>	\$ <u>135,605</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:			
Accounts payable	\$	15,842	\$ 13,860
Accrued payroll and payroll taxes		12,272	8,516
Total current liabilities		<u>28,114</u>	<u>22,376</u>
NET ASSETS:			
Unrestricted		150,942	113,229
Temporarily restricted		6,000	-
Total net assets		<u>156,942</u>	<u>113,229</u>
Total liabilities and unrestricted net assets	\$	<u>185,056</u>	\$ <u>135,605</u>

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Federal grant revenue	\$ 345,093	\$ -	\$ 345,093
State and local revenue	186,553	-	186,553
Program income	20,492	-	20,492
Contributions	10,479	6,000	16,479
Investment income	2	-	2
In-kind donations	29,900	-	29,900
Other income	54,725	-	54,725
Total revenue and support	<u>647,244</u>	<u>6,000</u>	<u>653,244</u>
EXPENSES			
Program services	472,728	-	472,728
Management and general	136,803	-	136,803
Total expenses	<u>609,531</u>	<u>-</u>	<u>609,531</u>
CHANGE IN NET ASSETS	37,713	6,000	43,713
NET ASSETS, BEGINNING OF YEAR	<u>113,229</u>	<u>-</u>	<u>113,229</u>
NET ASSETS, END OF YEAR	<u>\$ 150,942</u>	<u>\$ 6,000</u>	<u>\$ 156,942</u>

See accompanying notes to financial statements.

2010		
<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
\$ 347,362	\$ -	\$ 347,362
50,000	-	50,000
19,912	-	19,912
31,861	-	31,861
4	-	4
15,750	-	15,750
42,334	-	42,334
<u>507,223</u>	<u>-</u>	<u>507,223</u>
388,301	-	388,301
122,668	-	122,668
<u>510,969</u>	<u>-</u>	<u>510,969</u>
(3,746)	-	(3,746)
<u>116,975</u>	<u>-</u>	<u>116,975</u>
<u>\$ 113,229</u>	<u>\$ -</u>	<u>\$ 113,229</u>

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
OPERATING EXPENSES:			
Salaries and benefits	\$ 237,466	\$ 83,434	\$ 320,900
Professional services	7,386	2,595	9,981
Rent	3,552	1,248	4,800
Insurance	17,636	6,196	23,832
Building maintenance	5,000	-	5,000
Utilities	40,260	14,146	54,406
Fuel	35,803	12,579	48,382
Telephone	10,231	3,594	13,825
Office equipment and repair	4,604	1,618	6,222
Office supplies	5,306	1,864	7,170
Computer supplies	131	46	177
Travel	1,145	402	1,547
Postage	1,092	383	1,475
Dues and registrations	428	150	578
Advertising	478	168	646
Beneficiary expenses	38,740	-	38,740
Vehicle maintenance	23,374	-	23,374
In-kind expense	22,126	7,774	29,900
Depreciation	2,371	-	2,371
Bad debt expense	13,873	-	13,873
Miscellaneous	1,726	606	2,332
	<u> </u>	<u> </u>	<u> </u>
Total expenses reported by function	<u>\$ 472,728</u>	<u>\$ 136,803</u>	<u>\$ 609,531</u>

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Management and General	Total
OPERATING EXPENSES:			
Salaries and benefits	\$ 219,048	\$ 76,963	\$ 296,011
Professional services	9,583	3,367	12,950
Rent	3,552	1,248	4,800
Insurance	16,663	5,855	22,518
Building maintenance	314	-	314
Utilities	37,186	13,066	50,252
Fuel	27,612	9,702	37,314
Telephone	10,555	3,709	14,264
Office equipment and repair	6,404	2,250	8,654
Office supplies	3,200	1,124	4,324
Computer supplies	-	-	-
Travel	1,185	417	1,602
Postage	1,026	361	1,387
Dues and registrations	356	125	481
Advertising	67	24	91
Beneficiary expenses	29,081	-	29,081
Vehicle maintenance	7,591	-	7,591
In-kind expense	11,655	4,095	15,750
Depreciation	2,193	-	2,193
Miscellaneous	1,030	362	1,392
Total expenses reported by function	\$ 388,301	\$ 122,668	\$ 510,969

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,713	\$ (3,746)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,371	2,193
(Increase) decrease in cash from changes in:		
Accounts receivable	21,190	4,768
Prepaid expenses	4,552	(6,426)
Increase (decrease) in cash from changes in:		
Accounts payable	1,982	(5,736)
Accrued payroll and payroll taxes	3,756	497
Net cash provided by (used in) operating activities	77,564	(8,450)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(2,301)
Net cash used in investing activities	-	(2,301)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term loans	75,000	153,464
Payments on short-term loans	(75,000)	(153,464)
Net cash provided by (used in) financing activities	-	-
 NET INCREASE (DECREASE) IN CASH	77,564	(10,751)
 CASH , BEGINNING OF YEAR	31,001	41,752
 CASH , END OF YEAR	\$ 108,565	\$ 31,001

See accompanying notes to financial statements

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Newton County Community Services, Inc. (the Organization) is a community based non-profit corporation organized in 1974. The Organization's mission is to identify the problems of the aged citizens and other citizens in need in Newton County, Indiana and to propose solutions to the problems identified. This is accomplished by working in conjunction with the Indiana Commission on the Aging and Aged, and residents, agencies and organizations within Newton County. It is the goal to solve these problems by developing public awareness of the needs of the aging and other citizens in Newton County, and by assisting those who may be sick, disabled or destitute.

BASIS OF ACCOUNTING

The financial statements of Newton County Community Services, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

TAX STATUS

The Organization has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the internal Revenue Code as a tax-exempt organization. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

SUPPORT AND REVENUE

The Organization receives grants from pass through agencies that originated with the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit appropriate records of services provided to eligible individuals. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Additionally, the Organization receives Medicaid funding. The Medicaid revenue is recognized as earned as eligible services are provided.

ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of amounts due from pass through agencies for services provided under contracts and amounts due from clients. The Organization considers all amounts to be fully collectable. The accounts receivable is reviewed periodically and delinquent accounts are written off based on individual circumstances.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment. Property and equipment are carried at cost and contributed property and equipment is recorded at fair value at the date of donation. The following is a summary of the useful lives for each class of asset:

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT (continued)

Buildings and improvements	39 years
Equipment	3-10 years
Vehicles	3-5 years

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation is recorded by the straight-line method over estimated useful lives of the assets. Depreciation expense for 2011 and 2010 amounted to \$2,371 and \$2,193, respectively.

Vehicles for transportation services are acquired through the Newton County Commissioners. Vehicles are acquired in accordance with the Federal Sec 5311 Rural Public Transit Program (Sec 5311). Sec 5311 requires the Commissioners to pay 20% of the vehicle cost, as the grantee, and allows the titles to be held by Newton County Commissioners. The Newton County Commissioners retain the title to these vehicles for their useful life of 4 years or 100,000 miles. The vehicles are generally sold by the county at the auction. The buses used for the Head Start Program are titled to and owned by K-IRPC, then leased to Newton County Community Services for the school year program.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted, net assets and reported in the statement of activities as net assets released from restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ACCOUNTING FOR IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

Accounting for the Impairment or Disposal of Long-Lived Assets guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have temporarily restricted or permanently restricted net assets as of December 31, 2011 and 2010. A description of the unrestricted, temporarily and permanently restricted net asset classes are as follows:

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Newton County Community Services, Inc. pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

There were no permanently restricted net assets at December 31, 2011 and 2010.

Temporarily restricted net assets were as follows as of December 31,:

	<u>2011</u>	<u>2010</u>
Employee Handbook Grant	<u>\$ 6,000</u>	<u>\$ -0-</u>

ADOPTION OF NEW ACCOUNTING STANDARDS

Per the applicable requirements, the Organization has elected to defer adoption of *Accounting for Uncertainty in Income Taxes* which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

During the year ended December 31, 2009, the Organization adopted the accounting policy to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

IN-KIND CONTRIBUTIONS

The Organization records contributions of services received, which create or enhance non-financial assets or that require specialized skills by the individual possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for donated services for the years ended December 31, 2011 and 2010. The Organization pays for most services requiring specific expertise.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 11, 2012, which is the date the financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011 and 2010, consisted of:

	<u>2011</u>	<u>2010</u>
Indiana Department of Transportation	\$ 29,600	\$ 43,430
Northwest Indiana Community Action Agency	12,409	17,622
Client fees	<u>4,777</u>	<u>6,924</u>
	<u>\$ 46,786</u>	<u>\$ 67,976</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK AND MAJOR SOURCES OF REVENUE

Newton County Community Services, Inc. maintains cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization did not have any amounts that were over the insured limit at December 31, 2011 and 2010.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 4 - OPERATING LEASES

The Organization leases a copier for use in the operation of its programs. The Organization entered into this 60-month lease agreement effective January 1, 2008. Monthly lease payments for the copier are \$260. In April 2010 the Organization entered into a 51-month lease agreement for a postage meter. Monthly lease payments are approximately \$41. The Organization also occupies space for a nutrition site on a month-to month basis. Total lease expense excluding payments for maintenance and supplies for the years ended December 31, 2011 and 2010 was approximately \$8,245.

Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2011 are as follows:

2012	\$ 3,608
2013	488
2014	<u>285</u>
	<u>\$ 4,381</u>

NOTE 5—RELATED PARTY TRANSACTIONS

A Board member of the Organization, through 2010, is also a Newton County Commissioner. The Organization receives direct funding and pass-through funding from the Newton County Commissioners. During the year ended December 31, 2011 and 2010, the Organization received \$397,555 and \$242,961, respectively from the Newton County Commissioners.

Additionally, the Organization is contracted as the intake/eligibility site for the Child Care Development Fund (CCDF) in Newton County. One Board member owns a day care facility that receives CCDF funding.