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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, 2012 to December 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 Newton County Community Services, Inc., as of December 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

**Newton County
Community Services, Inc.**

**Financial Statements
For The Years Ended
December 31, 2012 and 2011**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**NEWTON COUNTY COMMUNITY SERVICES, INC.
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INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newton County Community Services, Inc.
Moracco, Indiana

We have audited the accompanying financial statements of Newton County Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows 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 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 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 Newton County Community Services, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
November 18, 2013

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	ASSETS	
	2012	2011
CURRENT ASSETS:		
Cash	\$ 81,007	\$ 108,565
Accounts receivable	110,002	46,786
Prepaid expenses	1,972	1,874
Total current assets	192,981	157,225
PROPERTY AND EQUIPMENT:		
Land	8,400	8,400
Buildings and improvements	34,659	34,659
Furniture and equipment	8,721	8,721
Accumulated depreciation	(26,320)	(23,949)
Total property and equipment	25,460	27,831
Total assets	\$ 218,441	\$ 185,056
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 13,890	\$ 15,842
Accrued payroll and payroll taxes	5,467	12,272
Total current liabilities	19,357	28,114
NET ASSETS:		
Unrestricted	195,584	150,942
Temporarily restricted	3,500	6,000
Total net assets	199,084	156,942
Total liabilities and unrestricted net assets	\$ 218,441	\$ 185,056

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Federal grant revenue	\$ 292,850	\$ -	\$ 292,850
State and local revenue	215,000	-	215,000
Medicaid transportation	57,156	-	57,156
Program income	17,297	-	17,297
Contributions	9,232	3,500	12,732
Investment income	-	-	-
In-kind donations	30,878	-	30,878
Other income	51,070	-	51,070
Total revenue and support	<u>673,483</u>	<u>3,500</u>	<u>676,983</u>
Net assets released from restrictions	<u>6,000</u>	<u>(6,000)</u>	<u>-</u>
Total revenue and support	<u>679,483</u>	<u>(2,500)</u>	<u>676,983</u>
EXPENSES			
Program services	488,216	-	488,216
Management and general	146,625	-	146,625
Total expenses	<u>634,841</u>	<u>-</u>	<u>634,841</u>
CHANGE IN NET ASSETS	44,642	(2,500)	42,142
NET ASSETS, BEGINNING OF YEAR	<u>150,942</u>	<u>6,000</u>	<u>156,942</u>
NET ASSETS, END OF YEAR	<u>\$ 195,584</u>	<u>\$ 3,500</u>	<u>\$ 199,084</u>

See accompanying notes to financial statements.

2011		
<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
\$ 309,689	\$ -	\$ 309,689
186,553	-	186,553
35,404	-	35,404
20,492	-	20,492
10,479	6,000	16,479
2	-	2
29,900	-	29,900
54,725	-	54,725
647,244	6,000	653,244
-	-	-
647,244	6,000	653,244
472,728	-	472,728
136,803	-	136,803
609,531	-	609,531
37,713	6,000	43,713
113,229	-	113,229
\$ 150,942	\$ 6,000	\$ 156,942

NEWTON COUNTY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Management and General	Total
OPERATING EXPENSES:			
Salaries and benefits	\$ 245,743	\$ 86,342	\$ 332,085
Professional services	10,052	3,532	13,584
Rent	4,144	1,456	5,600
Insurance	18,698	6,569	25,267
Building maintenance	1,295	-	1,295
Utilities	39,088	13,734	52,822
Fuel	49,320	17,329	66,649
Telephone	9,442	3,318	12,760
Office equipment and repair	7,064	2,482	9,546
Office supplies	5,045	1,772	6,817
Computer supplies	1,464	514	1,978
Travel	2,604	915	3,519
Postage	790	278	1,068
Dues and registrations	343	120	463
Advertising	65	23	88
Beneficiary expenses	47,112	-	47,112
Vehicle maintenance	17,654	-	17,654
In-kind expense	22,850	8,028	30,878
Depreciation	2,371	-	2,371
Bad debt expense	2,464	-	2,464
Miscellaneous	608	213	821
Total expenses reported by function	<u>\$ 488,216</u>	<u>\$ 146,625</u>	<u>\$ 634,841</u>

See accompanying notes to financial statements.

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

	Program Services	Management and General	Total
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
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 42,142	\$ 43,713
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,371	2,371
Increase (decrease) in cash from changes in:		
Accounts receivable	(63,216)	21,190
Prepaid expenses	(98)	4,552
Accounts payable	(1,952)	1,982
Accrued payroll and payroll taxes	(6,805)	3,756
Net cash provided by (used in) operating activities	(27,558)	77,564
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term loans	-	75,000
Payments on short-term loans	-	(75,000)
Net cash provided by (used in) financing activities	-	-
NET INCREASE (DECREASE) IN CASH	(27,558)	77,564
CASH , BEGINNING OF YEAR	108,565	31,001
CASH , END OF YEAR	\$ 81,007	\$ 108,565

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 AND 2011

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 2012 and 2011 amounted to \$2,371 for both years.

Vehicles for transportation services are acquired through the Newton County Commissioners. Vehicles are acquired in accordance with the Federal Section 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, 2012 AND 2011

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, 2012 and 2011. 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, 2012 and 2011.

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

	<u>2012</u>	<u>2011</u>
Senior Scholarship Program	\$ 3,500	-0-
Employee Handbook Grant	-0-	6,000
	\$ 3,500	\$ 6,000

TAX BENEFITS

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, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAX BENEFITS (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 has recorded in-kind contributions for professional services on the Statement of Activities. The 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 are recorded. Of the \$30,878 and \$29,900 of in-kind support and related expenses recorded in the Organization's Statement of Activities for the years ended December 31, 2012 and 2011, respectively, contributed services are \$3,688 and \$2,900, respectively. The remaining \$27,190 and \$27,000 recorded was for donated space and supplies for the years ended December 31, 2012 and 2011.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2012 and 2011, consisted of:

	<u>2012</u>	<u>2011</u>
Indiana Department of Transportation	\$ 52,387	\$ 29,600
Newton County Commissioners	35,000	-0-
Medicaid	4,984	-0-
Northwest Indiana Community Action Agency	12,768	12,409
Client fees	<u>4,863</u>	<u>4,777</u>
	<u>\$ 110,002</u>	<u>\$ 46,786</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, 2012 and 2011.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011 was approximately \$8,357 and \$8,245, respectively.

Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2012 are as follows:

2013	\$ 3,776
2014	3,776
2015	3,573
2016	3,288
2017	<u>1,096</u>
	<u>\$ 15,509</u>