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STATE OF INDIANA

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February 6, 2015

Board of Directors
Pike County Area Rehabilitation Centers, Inc.
715 Illinois Street
Petersburg, IN 47567

We have reviewed the audit report prepared by Boyd, Pinegar & Associates, P.C., for the period July 1, 2011 to June 30, 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 Pike County Area Rehabilitation Centers, Inc., as of June 30, 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

PIKE COUNTY AREA
REHABILITATION CENTERS, INC.
Financial Statements
And
Independent Auditors' Report

June 30, 2012 and 2011

BP&A BOYD PINEGAR & ASSOCIATES, P.C.
Certified Public Accountants and Consultants
8118 Madison Avenue ~ Indianapolis, Indiana 46227
Telephone: (317) 887-9516 Fax: (317) 887-9681

Independent Auditor's Report

Board of Directors
Pike County Area Rehabilitation Centers, Inc.
Petersburg, Indiana

We have audited the accompanying statements of financial position of Pike County Area Rehabilitation Centers, Inc. (an Indiana nonprofit organization) as of June 30, 2012 and 2011 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 Pike County Area Rehabilitation Centers, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accepted accounting principles generally accepted in the United States of America.

Boyd, Pinegar & Associates, P.C.
BOYD, PINEGAR & ASSOCIATES, P.C.

Indianapolis, Indiana
January 28, 2013

PIKE COUNTY AREA REHABILITATION CENTERS, INC.

Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash (Note 1)	$ 800,851	$ 734,482
Investments - Bank certificates of deposit	550,000	554,218
Accounts receivable (Note 5)	171,306	151,630
Medicaid accounts receivable (Note 5)	143,748	164,071
Government receivables (Note 5)	3,157	8,575
Interest receivable	4,918	4,918
Prepaid expenses	34,498	45,567
Total current assets	1,708,478	1,663,461
Property and equipment (Notes 1 and 2):		
Land	9,000	9,000
Buildings and improvements	1,476,538	1,470,634
Furnishings and equipment	210,945	203,124
Vehicles	395,527	381,830
Less accumulated depreciation	(1,331,038)	(1,266,069)
Total property and equipment	760,972	798,519
Other Assets:		
Funds held by Community Foundation Alliance (Note 1)	24,789	23,133
Other	-	-
Total other assets	24,789	23,133
Total assets	$ 2,494,239	$ 2,485,113
Liabilities and Net Assets		
Current Liabilities:		
Current maturities long-term debt (Note 2)	$ 35,319	$ 33,334
Accounts payable	76,568	30,383
Accrued salaries and related liabilities (Note 9)	94,516	177,036
Unearned revenue (Note 1)	-	-
Total current liabilities	206,403	240,753
Long-Term Liabilities:		
Notes payable (Note 2)	372,484	406,869
Total long-term liabilities	372,484	406,869
Total liabilities	578,887	647,622
Net Assets		
Unrestricted (Note 1)	1,890,563	1,814,358
Board restricted (Note 1)	24,789	23,133
Total unrestricted net assets	1,915,352	1,837,491
Total liabilities and net assets	$ 2,494,239	$ 2,485,113

The accompanying notes to the financial statements are an integral part of these financial statements

PIKE COUNTY AREA REHABILITATION CENTERS, INC.

Statement of Activities

For the year ended June 30, 2012

	Total	Unrestricted	Board Restricted
Revenue and Other Support			
Public Support:			
Federal funds	$ 12,066	$ 12,066	
County funds	-	-	
Contributions	5,683	5,383	300
Total public support	17,749	17,449	300
Service Revenue:			
Day program	73,114	$ 73,114	
Residential program	2,642,621	2,642,621	
Contract income	138,190	138,190	
Other service revenue	33,408	33,408	
Total service revenue	2,887,333	2,887,333	-
Other Gains/(Losses):			
Interest income	3,723	3,313	410
Miscellaneous	2,162	2,138	24
Total other gains	5,885	5,451	434
Total support, revenue, and gains	2,910,967	2,910,233	734
Expenses	2,835,285	2,834,028	1,257
Excess of revenue, support, and gains over expenses	75,682	76,205	(523)
Change in net unrealized gains and losses on other than trading securities	2,179	-	2,179
Increase (Decrease) in Net Assets	77,861	76,205	1,656
Net Assets, Beginning of Year	1,837,491	1,814,358	23,133
Net Assets, End of Year	$ 1,915,352	$ 1,890,563	$ 24,789

The accompanying notes to the financial statements are an integral part of these financial statements

PIKE COUNTY AREA REHABILITATION CENTERS, INC.

Statement of Activities

For the year ended June 30, 2011

	Total	Unrestricted	Board Restricted
Revenue and Other Support			
Public Support:			
Federal funds	$ 28,359	$ 28,359	
County funds	15,000	15,000	
Contributions	3,737	3,737	-
Total public support	47,096	47,096	-
Service Revenue:			
Day program	70,855	$ 70,855	
Residential program	2,556,728	2,556,728	
Contract income	190,124	190,124	
Other service revenue	31,813	31,813	
Total service revenue	2,849,520	2,849,520	-
Other Gains/(Losses):			
Interest income	8,018	8,018	
Miscellaneous	223	(102)	325
Total other gains	8,241	7,916	325
Total support, revenue, and gains	2,904,857	2,904,532	325
Expenses	2,794,663	2,794,663	
Excess of revenue, support, and gains over expenses	110,194	109,869	325
Change in net unrealized gains and losses on other than trading securities	-	-	-
Increase (Decrease) in Net Assets	110,194	109,869	325
Net Assets, Beginning of Year	1,727,297	1,704,489	22,808
Net Assets, End of Year	$ 1,837,491	$ 1,814,358	$ 23,133

PIKE COUNTY AREA REHABILITATION CENTERS, INC.

Statements of Functional Expenses
For the years ended June 30, 2012 and 2011

	Salaries & Wages	Employee Benefits	Professional Services	Supplies	Occupancy	Travel	Depreciation	Interest	Other	2012 Total	2011 Total
Program Services:											
Vocational rehab program	$ 21,780	$ 8,942	$ 6	$ 104	$ 291	$ 2,359	$ 62	$ -	$ 187	$ 33,731	$ 25,520
Life Skills program	0	3,114	43	157	641	320	112	-	-	4,387	57,914
Collection site program	75,835	13,115	-	-	1,639	-	-	-	7	90,596	89,044
SILP program	377,196	134,771	5,985	1,610	17,843	22,357	19,118	4,025	3,745	586,650	469,978
1214 Main Street group home	178,339	80,577	8,649	21,730	13,643	5,357	19,439	6,899	38,137	372,770	415,870
403 S. 3rd St group home	170,370	74,260	8,142	19,662	13,119	4,892	20,224	10,676	39,045	360,390	377,425
400 Mill Street group home	125,489	76,914	3,400	19,108	14,976	14,098	2,617	-	32,703	289,305	340,304
Living Options/Waiver	95,535	16,325	-	0	240	6,509	6,609	-	47	125,265	144,685
Industrial program	259,197	75,026	2,636	15,148	39,654	19,005	8,613	-	6,864	426,143	372,091
Total Program Services :	1,303,741	483,044	28,861	77,519	102,046	74,897	76,794	21,600	120,735	2,289,237	2,292,831
Management & General:											
Administration	117,123	66,350	121,960	5,433	20,675	5,785	4,860	496	9,963	352,645	339,543
Residential Admin	138,262	36,824	2,028	1,964	4,040	6,059	2,067	-	902	192,146	162,289
Total Management & General:	255,385	103,174	123,988	7,397	24,715	11,844	6,927	496.00	10,865	544,791	501,832
Total Expenses	$ 1,559,126	$ 586,218	$ 152,849	$ 84,916	$ 126,761	$ 86,741	$ 83,721	$ 22,096	$ 131,600	$ 2,834,028	$ 2,794,663
										$ 2,834,028	

The accompanying notes to the financial statements are an integral part of these financial statements

PIKE COUNTY AREA REHABILITATION CENTERS, INC.

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	$ 77,861	$ 110,194
Changes to income not requiring cash:		
Depreciation	83,721	77,005
Gain on sale of fixed assets	(1,893)	-
Unrealized gain on investments	(2,179)	
Changes in assets and liabilities increasing (decreasing) cash flows from operating activities:		
Receivables	6,065	(70,666)
Interest receivable	-	-
Prepaid expenses	11,069	7,625
Accounts payable	46,185	(41,893)
Accrued wages and benefits	(82,520)	38,561
Unearned revenue	-	-
Net cash provided/(used) by operating activities	138,309	120,826
Cash Flows From Investing Activities		
Proceeds on sale of fixed assets	2,075	-
Savings investments recharacterized to cash equivalents	4,218	297,215
Purchase of property and equipment	(45,833)	(81,194)
Net cash used by investing activities	(39,540)	216,021
Cash Flows From Financing Activities		
Proceeds from new borrowings	-	-
Repayment of long-term debt	(32,400)	(31,571)
Net cash used by financing activities	(32,400)	(31,571)
Net Increase/(Decrease) in Cash	66,369	305,276
Cash, Beginning of Year	734,482	429,206
Cash, End of Year	$ 800,851	$ 734,482
Supplemental Information		
Cash paid during the year for:		
Interest	$ 22,096	$ 23,999
Income taxes	-	-

Note 1 – Summary of Significant Accounting Policies

Organization
Pike County Area Rehabilitation Centers, Inc. (the Organization) was incorporated in 1974 to provide quality adult and child vocational, rehabilitative and educational services to the handicapped and economically disadvantaged of Pike County, Indiana.

Public Support
The Organization contracts with various State and Federal agencies to provide a wide variety of rehabilitation services to the handicapped. The Organization vouchers the State agencies monthly based on current activity and the original amount of the grant or contract. Revenue is recognized as services are performed. These vouchers and grants are subject to periodic audit by the State. No estimated settlements have been recorded for periods not audited by the State as such adjustments, if any, cannot reasonably be determined.

Service Revenue
Service revenue is recorded at established charges when the service is rendered. Residential services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. The Organization submits annual cost reports to determine its Medicaid rates. These reports are subject to periodic audit by the Medicaid Audit Contractor. No estimated settlements have been recorded for periods not audited by the Medicaid Audit Contractor, as such adjustments, if any, cannot reasonably be determined.

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Organization. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Organization's liquidity, financial condition and results of operations.

Basis of Accounting
The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Basis of Presentation
The financial statements have been prepared in accordance with FASC 958-205-05. The FASC requires, among other things, that the financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted or permanently restricted.

(Note 1 – Continued)

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Donor-imposed stipulations are reported as unrestricted net assets if the stipulations expire in the reporting period in which the revenue is recognized.

The Board of Directors has placed net assets with the Community Foundation Alliance which administers funds for the Pike County Community Foundation. These net assets were made from unrestricted funds and accordingly are still reported as unrestricted net assets but are identified as restricted by the Board of Directors for the purpose of establishing an endowment fund.

Temporarily Restricted Net Assets

Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations that expire by passage of time are reported as temporarily restricted net assets. There were no temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets whose use by the Organization is subject to donor-imposed restrictions are considered permanently restricted net assets. There were no permanently restricted net assets.

Contributions

Under FASC 958-605-15, all contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. Gifts of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that limit their use. By definition, permanently restricted support must be maintained in perpetuity. Restrictions do not expire and no assets are reclassified in the Statements of Activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents. Cash includes petty cash and interest-bearing deposits.

Property and Equipment

Property and equipment are stated at cost, or for donations, at fair market value at the date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, the related cost

(Note 1 – Continued)
and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against income for the period.

Depreciation is computed using the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements: 27½ to 35 years
Furnishings and equipment: 5 to 7 years

Depreciation expense amounted to $83,721 and $77,005 for the years ended June 30, 2012 and 2011 respectively.

Administration Fees
The Organization receives management and accounting services for another area rehabilitation center. Fees charged for these services are reported as professional services expense.

Income Taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes. This standard addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits that could be recognized in the financial statements from such positions would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods. At June 30, 2012 and 2011, there were no unrecognized tax benefits identified or recorded as liabilities. The Organization files Form 990 and the related state of Indiana return, and has not been subject to examination by the Internal Revenue Service in the past three years.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Agency is not considered to be a private foundation.

PIKE COUNTY AREA REHABILITATION CENTERS, INC.
Notes to Financial Statements
June 30, 2011 and 2012

(Note 1 – Continued)

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

[illegible]

Note 2 – Leases

[illegible]

The following is a schedule of minimum [illegible] lease payments for subsequent years ending June 30:

2013	7,679
[illegible]	7,679
[illegible]	[illegible]

Note 3 – Long-Term Debt

Long-term debt consisted of the following at June 30:	2012	2011
7.75% variable rate mortgage note payable to bank due September 2014, payable in monthly installments of $602 including interest, secured by real estate.	$14,672	$20,508
6.0% variable rate mortgage note payable to bank due March 2022, payable in monthly installments of $2,258 including interest, secured by real estate.	186,976	200,813
4.0% fixed rate mortgage mote payable to bank due May 2024, payable in monthly installments of $1,536 including interest, secured by real estate.	167,153	176,987
5.50% fixed rate mortgage note payable to bank due May 2022, payable in monthly installments of $463 including interest, secured by real estate.	39,002	41,895
Total	$407,803	$440,203
Less current maturities of long-term debt:	(35,319)	(33,334)
Notes payable – long term	$372,484	$610,013

The future maturities of long-term debt are as follows:

2013	$35,319
2014	37,364
2015	33,738
2016	33,851
2017	35,695
Thereafter	231,836
	$407,803

Note 4 – 401(k) Plan

The Organization provides a 401(k) plan for employees to contribute 1% to 75% of their salary and wages. For all full-time employees the Organization will match 25% of the employee's contribution up to 20% of the employee's total compensation. The Organization at the discretion of the board of directors may make additional contributions. The employee contributions vest immediately. The employer contributions vest according to the following schedule:

	Vesting %
Year 1	0%
Year 2	20%
Year 3	40%
Year 4	60%
Year 5	80%
Year 6	100%

The Organization's contribution totaled $6,296 and $3,370 in 2012 and 2011, respectively, and has been included in employee benefits expense in the Statement of Functional Expenses. According to the provisions of the plan, an unfunded liability cannot exist.

Note 5 – Concentration of Credit Risk

The Organization is located in Petersburg, Indiana. The Organization provides services to individuals and companies that are billed in arrears on a monthly basis. The majority of individual services are provided under contracts or provider agreements with state agencies. Companies are provided credit in the normal course of business without collateral. At June 30, 2012 approximately 90% of the open and outstanding accounts receivable related to services provided for residential and waiver consumers in the State of Indiana's Medicaid program.

The Organization maintains its cash accounts and temporary cash investments in several local commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. A summary of the total insuraed and uninsured cash balances follows:

Total on deposit in local banks	$ 1,350,158
Portion insured by FDIC	737,021
Uninsured cash balances	$ 613,136

Note 6 – Affiliated Companies

The Organization sponsors an Indiana corporation, Pike Industry Housing Corporation, organized for the development and management of a supervised group living project for the handicapped and economically disadvantaged. A Capital Advance Program from the U.S. Department of Housing and Urban Development (HUD) has financed construction of the project. HUD approved and provided $550,076 of capital assistance for the program in 1994. In addition, HUD approved rent subsidies for lower income tenants.

The Organization has advanced amounts to Pike Industry Housing Corporation, for organizational costs and working capital needs. Amounts due from Pike Industry Housing Corporation at June 30, 2012 and 2011 were $8,436 and $4,218 for each year, and have been included in accounts receivable.

Note 7 – Fair Value of Financial Instruments

The carrying amounts reflected in the Statement of Financial Position for cash, accounts receivable, and accounts payable approximate their respective fair values due to the short maturities of those instruments.

Note 8 – Commitments and Contingencies

The Organization is subject to claims and lawsuits, which arise, primarily in the ordinary course of business. It is the opinion of management and legal counsel that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization.

Note 9 – Compensated Absences

Employees of the Organization are entitled to paid vacations depending on length of service and other factors. The value of accumulated vacation accrued is estimated at $39,777 and $50,967 for June 30, 2012 and 2011, respectively. These amounts have been included in accrued salaries and related liabilities in the accompanying financial statements. There is a possibility that the actual amounts could differ from these estimates.

Note 10 – Investments

Investments are stated at fair market value in the Statement of Financial Position. Realized and unrealized gains and losses are reflected in the Statement of Activities. The Organization primarily invests in certificates of deposit, however, funds administered by the Community Foundation Alliance are invested in a variety of mutual funds, bonds and stocks. These

(Note 10 – Continued)
investments are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements. Purchases and sales of securities are recorded on a trade-date basis.

FASC 820 defines fair value as the price that would be received by the Organization for an asset in an orderly transaction between market participants on the measurement date in the Organization's principal or most advantageous market for the asset. FASC 820 establishes a fair value heirarchy which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for indentical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). All of the Organizations investments at June 30, 2012 were at Level 1.

The following descriptions of the valuation methods and aswsumptions used by the Organization to estimate the fair values of investments apply to investments held directly by the Organization or investments managed by the Community Foundation Alliance.

Certificates of Deposit: The fair values of investments are determed by actual certificate values issued by the bank or financial institution (level 1 inputs).

Mutual Fund Securities: The fair values of investments are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

These preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation mathods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 11 – Management's Review

The Organization evaluted all events or transactions that occurred after June 30, 2012 up through January 28, 2013, the date these financial statements were issued. During this review, we did not have any material recognizable or disclosable subsequent events.