



STATE OF INDIANA

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February 6, 2015

Board of Directors
The Arc Noble County-Foundations
506 S. Orange Street
Albion, IN 46701

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, 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 The Arc Noble County-Foundation, 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

Financial Statements

**The Arc Noble County -
Foundations**

June 30, 2012 and 2011

THE ARC NOBLE COUNTY - FOUNDATIONS

Financial Statements
June 30, 2012 and 2011

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Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors
The Arc Noble County - Foundations
Albion, Indiana

We have audited the accompanying statements of financial position of The Arc Noble County - Foundations (a 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 The Arc Noble County - Foundations, 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 accounting principles generally accepted in the United States of America.

A handwritten signature in cursive ink that reads "Baden, Gage & Schroeder, LLC".

BADEN, GAGE & SCHROEDER, LLC

Kendallville, Indiana
August 6, 2012

THE ARC NOBLE COUNTY - FOUNDATIONS

Statements of Financial Position **June 30, 2012 and 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 44,819	\$ 33,553
Certificates of deposit, 0.35% - 0.50% interest, maturing through October 2012	31,568	54,562
Grants receivable	40,174	38,675
Subcontracts receivable	2,757	6,668
Other receivables	-	150
Prepaid expenses	<u>4,575</u>	<u>3,295</u>
Total Current Assets	123,893	136,903
PROPERTY AND EQUIPMENT	648,300	604,088
LESS: Accumulated depreciation	<u>446,078</u>	<u>420,914</u>
Net Property and Equipment	202,222	183,174
OTHER ASSETS		
Beneficial interest in perpetual trust	25,000	25,000
Equipment deposits	<u>20,809</u>	<u>21,308</u>
Total Other Assets	<u>45,809</u>	<u>46,308</u>
TOTAL ASSETS	<u>\$ 371,924</u>	<u>\$ 366,385</u>

See Notes to Financial Statements.

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 5,365	\$ 6,569
Accrued payroll and related expenses	<u>51,346</u>	<u>45,018</u>
Total Current Liabilities	56,711	51,587
<u>NET ASSETS</u>		
Unrestricted		
Board designated for capital improvements	15,484	16,206
Undesignated	<u>253,923</u>	<u>265,092</u>
Total unrestricted	269,407	281,298
Temporarily restricted	20,806	8,500
Permanently restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>315,213</u>	<u>314,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 371,924</u>	<u>\$ 366,385</u>

THE ARC NOBLE COUNTY - FOUNDATIONS

Statement of Activities Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Public Support:				
United Way	\$ 2,040	\$ -	\$ -	\$ 2,040
Contributions and grants	13,425	12,306	-	25,731
County taxes	52,000	-	-	52,000
Memberships	410	-	-	410
Indiana Vocational Rehabilitation Services	43,554	-	-	43,554
Indiana Family and Social Services				
Administration	379,217	-	-	379,217
OBRA Day Services	1,015	-	-	1,015
Cooperative transportation	3,730	-	-	3,730
Indiana Department of Transportation	<u>35,233</u>	<u>-</u>	<u>-</u>	<u>35,233</u>
Total Public Support	530,624	12,306	-	530,624
Revenue:				
Subcontract fees	49,548	-	-	49,548
Interest	323	-	-	323
Miscellaneous	<u>1,984</u>	<u>-</u>	<u>-</u>	<u>1,984</u>
Total Revenue	<u>51,855</u>	<u>-</u>	<u>-</u>	<u>51,855</u>
TOTAL PUBLIC SUPPORT AND REVENUE	582,479	12,306	-	594,785
EXPENSES				
Program services	459,435	-	-	459,435
General and administrative	128,972	-	-	128,972
Fundraising	<u>5,963</u>	<u>-</u>	<u>-</u>	<u>5,963</u>
Total Expenses	<u>594,370</u>	<u>-</u>	<u>-</u>	<u>594,370</u>
CHANGE IN NET ASSETS	(11,891)	12,306	-	415
NET ASSETS, BEGINNING OF YEAR	281,298	8,500	25,000	314,798
NET ASSETS, END OF YEAR	<u>\$ 269,407</u>	<u>\$ 20,806</u>	<u>\$ 25,000</u>	<u>\$ 315,213</u>

See Notes to Financial Statements.

THE ARC NOBLE COUNTY - FOUNDATIONS

Statement of Activities Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Public Support:				
United Way	\$ 2,370	\$ -	\$ -	\$ 2,370
Contributions and grants	42,916	8,500	-	51,416
County taxes	52,000	-	-	52,000
Memberships	460	-	-	460
Indiana Vocational Rehabilitation Services	58,279	-	-	58,279
Indiana Family and Social Services				
Administration	348,597	-	-	348,597
OBRA Day Services	5,287	-	-	5,287
Cooperative transportation	1,987	-	-	1,987
Indiana Department of Transportation	<u>34,033</u>	<u>-</u>	<u>-</u>	<u>34,033</u>
Total Public Support	545,929	8,500	-	554,429
Revenue:				
Subcontract fees	74,470	-	-	74,470
Interest	587	-	-	587
Loss on disposal of property and equipment	(12)	-	-	(12)
Miscellaneous	<u>792</u>	<u>-</u>	<u>-</u>	<u>792</u>
Total Revenue	<u>75,837</u>	<u>-</u>	<u>-</u>	<u>75,837</u>
TOTAL PUBLIC SUPPORT AND REVENUE	621,766	8,500	-	630,266
EXPENSES				
Program services	437,822	-	-	443,128
General and administrative	127,917	-	-	127,317
Fundraising	<u>6,191</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>571,930</u>	<u>-</u>	<u>-</u>	<u>571,930</u>
CHANGE IN NET ASSETS	49,836	8,500	-	58,336
NET ASSETS, BEGINNING OF YEAR	<u>231,462</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 281,298</u>	<u>\$ 8,500</u>	<u>\$ 25,000</u>	<u>\$ 314,798</u>

See Notes to Financial Statements.

THE ARC NOBLE COUNTY - FOUNDATIONS

Statement of Functional Expenses **Year Ended June 30, 2012**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 267,537	\$ 85,083	\$ 4,625	\$ 357,245
Employee benefits	55,264	17,560	959	73,783
Payroll taxes	<u>21,852</u>	<u>6,943</u>	<u>379</u>	<u>29,174</u>
 Total Personnel	 344,653	 109,586	 5,963	 460,202
Professional fees	4,895	1,262	-	6,157
Supplies	7,615	2,538	-	10,153
Telephone	3,835	2,065	-	5,900
Postage and delivery	3,104	548	-	3,652
Occupancy	14,502	5,639	-	20,141
Equipment rent and maintenance	1,300	715	-	2,015
Printing and publishing	185	62	-	247
Travel	923	1,873	-	2,796
Client support	46,458	-	-	46,458
Memberships and dues	7,230	1,808	-	9,038
Miscellaneous	565	362	-	927
Interest expense	-	20	-	20
Depreciation	<u>24,170</u>	<u>2,494</u>	<u>-</u>	<u>26,664</u>
 TOTAL EXPENSES	 <u>\$ 459,435</u>	 <u>\$ 128,972</u>	 <u>\$ 5,963</u>	 <u>\$ 594,370</u>

See Notes to Financial Statements.

THE ARC NOBLE COUNTY - FOUNDATIONS

Statement of Functional Expenses Year Ended June 30, 2011

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 267,777	\$ 85,593	\$ 4,599	\$ 357,969
Employee benefits	42,149	13,467	733	56,349
Payroll taxes	<u>22,057</u>	<u>7,048</u>	<u>383</u>	<u>29,488</u>
 Total Personnel	 331,983	 106,108	 5,715	 443,806
Professional fees	4,861	1,253	-	6,114
Supplies	5,949	1,983	-	7,932
Telephone	3,532	1,902	-	5,434
Postage and delivery	3,777	667	-	4,444
Occupancy	18,125	7,048	-	25,173
Equipment rent and maintenance	1,434	789	-	2,223
Printing and publishing	72	24	-	96
Travel	618	1,255	-	1,873
Client support	35,407	-	-	35,407
Memberships and dues	8,643	2,161	-	10,804
Miscellaneous	626	400	476	1,502
Interest expense	-	844	-	844
Bad debt expense	3,373	843	-	4,216
Depreciation	<u>19,422</u>	<u>2,640</u>	<u>-</u>	<u>22,062</u>
 TOTAL EXPENSES	 <u>\$ 437,822</u>	 <u>\$ 127,917</u>	 <u>\$ 6,191</u>	 <u>\$ 571,930</u>

See Notes to Financial Statements.

THE ARC NOBLE COUNTY - FOUNDATIONS

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 415	\$ 58,336
Adjustments to Reconcile Change in Net Assets to Cash		
Flows Provided By (Used In) Operating Activities:		
Depreciation	26,664	22,062
Bad debt expense	-	4,216
Noncash grants received	(35,233)	(34,033)
Loss on disposal of property and equipment	-	12
(Increase) Decrease in Assets:		
Grants receivable	(1,499)	12,344
Subcontracts receivable	3,911	15,047
Private pay receivables	-	(4,216)
Other receivables	150	(150)
Prepaid expenses	(1,280)	814
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	<u>5,124</u>	<u>1,378</u>
Net Cash Provided By (Used In) Operating Activities	(1,748)	75,810
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(1,671)	(9,919)
Purchase of certificates of deposit	(52,271)	(34,646)
Deposit on equipment	(8,309)	(12,800)
Proceeds from withdrawals of certificates of deposit	<u>75,265</u>	<u>16,925</u>
Net Cash Provided By (Used In) Investing Activities	13,014	(40,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments on line of credit	-	(23,523)
NET INCREASE IN CASH	11,266	11,847
CASH, BEGINNING OF YEAR	<u>33,553</u>	<u>21,706</u>
CASH, END OF YEAR	<u>\$ 44,819</u>	<u>\$ 33,553</u>

(Continued)

THE ARC NOBLE COUNTY - FOUNDATIONS

Statements of Cash Flows (Continued) Years Ended June 30, 2012 and 2011

	2012	2011
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 20	\$ 844
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transportation equipment acquired through capital grants	\$ 35,233	\$ 34,033

See Notes to Financial Statements.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements

June 30, 2012 and 2011

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities:

The Arc Noble County - Foundations (Foundations), formerly known as Noble County Association for Retarded Citizens, Inc. D/B/A Foundations, is a non-profit organization serving mentally handicapped and developmentally disabled citizens throughout Noble County. Activities at Foundations include sheltered workshop training, job-seeking and job-keeping skills training, job placement and job coaching, habilitation training, social services and counseling and a recreation program.

Basis of Accounting:

The financial statements of Foundations have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of 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. Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets include contributions that donors have restricted in perpetuity. The investment return is available to support operations.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements (Continued)

June 30, 2012 and 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Public Support and Revenue:

Contributions are recorded at the time an unconditional promise to give is made. All contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Revenue from government agencies is recognized in the period the qualifying services are performed.

Revenue from subcontract work performed in the workshop (trainee services) is recognized upon shipment of the products.

Receivables:

Foundations grants credit to customers to whom it sells trainee services. These customers consist of local area private businesses.

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The estimated losses are based on historical collection experience coupled with management's evaluation and review of the current aging status of the existing receivables, trends in historical bad debt experience and economic conditions. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance is increased by a provision for bad debt expense, which is charged to expense and reduced by charge-offs, net of recoveries. No allowance was recorded as of June 30, 2012 and 2011 because the amount was not deemed material to the financial statements taken as a whole.

Property and Equipment:

Property and equipment is stated at cost, if purchased, and at fair market value, if donated. Expenditures for property and equipment, that exceed \$1,000, are generally capitalized. Normal repairs and maintenance are expensed. The cost of assets retired, or otherwise disposed of, and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the statement of activities.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements (Continued) **June 30, 2012 and 2011**

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued):

Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets. Depreciation on property and equipment charged to expense was \$26,664 and \$22,062 for the years ended June 30, 2012 and 2011, respectively.

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status:

Foundations is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Furthermore, Foundations has been determined not to be a private foundation under Internal Revenue Code Section 509(a).

The accounting standard which provides guidance on accounting for uncertainty in income taxes 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. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2012 and 2011.

Reclassification:

Certain amounts previously reported have been reclassified to conform to current year presentation.

Subsequent Events:

Management of Foundations has evaluated events and transactions for possible recognition or disclosure through August 6, 2012, the date the financial statements were available to be issued.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements (Continued) June 30, 2012 and 2011

Note 2. Grants Receivable

Grants receivable as of June 30, 2012 and 2011, are as follows:

	2012	2011
Indiana Family and Social Services Administration	\$ 30,711	\$ 32,341
Indiana Vocational Rehabilitation Services	8,984	5,860
OBRA Day Services	177	114
Cooperative transportation	<u>302</u>	<u>360</u>
	<u><u>\$ 40,174</u></u>	<u><u>\$ 38,675</u></u>

Foundations believes that grants receivable are fully collectible. Therefore, no allowance for bad debts is considered necessary.

Note 3. Property and Equipment

A summary of the major classes of property and equipment along with the related accumulated depreciation is presented below:

	<u>Estimated Useful Lives</u>	<u>2012</u>	<u>2011</u>
Land		\$ 11,875	\$ 11,875
Building and improvements	10 - 40 years	349,356	350,856
Shop and office equipment	5 - 8 years	24,292	22,621
Kitchen equipment	10 years	300	300
Transportation equipment	5 years	254,707	210,666
Telephone equipment	10 years	<u>7,770</u>	<u>7,770</u>
		648,300	604,088
Less: Accumulated depreciation		<u><u>446,078</u></u>	<u><u>420,914</u></u>
		<u><u>\$ 202,222</u></u>	<u><u>\$ 183,174</u></u>

Note 4. Transportation Equipment Titles

Titles for transportation equipment purchased with Indiana Department of Transportation (INDOT), Public Transit Section, grants are held by INDOT until the equipment reaches a certain age or mileage, then the title passes to Foundations.

Foundations has been notified of a grant from INDOT that will provide a new van valued at approximately \$41,500. The grant is to cover 80% of the cost of the new van (approximately \$33,200) with the remaining 20% to be paid by Foundations. A deposit of \$8,309 was made by Foundations during the year.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements (Continued) June 30, 2012 and 2011

Note 4. Transportation Equipment Titles (Continued)

Foundations has been notified of a grant from INDOT that will provide a new van valued at approximately \$48,000. The grant is to cover 80% of the cost of the new van (approximately \$38,400) with the remaining 20% to be paid by Foundations (approximately \$9,600).

Note 5. Beneficial Interest in Perpetual Trust

Foundations is a beneficiary of a permanent endowment fund held by a third party trustee. Under the terms of the agreement, Foundations receives 20% of the trust's annual earnings. Although Foundations has no control over the administration or investment of the funds held in the trust, the estimated fair value of the trust is recorded as a permanently restricted asset at the present value of the future estimated payments, calculated using a discount rate of 5%. The estimated fair value of the beneficial interest in the perpetual trust amounted to \$25,000 at June 30, 2012 and 2011. Distributions received were \$610 in 2012 and \$520 in 2011 and were recorded as unrestricted support based on the donor's instructions. Increases or decreases in the fair value of the trust assets are recorded in the statements of activities as changes in permanently restricted net assets.

Note 6. Line of Credit

Foundations has a line of credit agreement with Community State Bank which allows advances on an aggregate principal amount not to exceed \$50,000. The agreement requires quarterly interest payments at 6.00%, and is secured by real estate. The agreement matures on April 30, 2014. The outstanding balance as of June 30, 2012 and 2011, was \$0.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, consisted of:

	<u>2012</u>	<u>2011</u>
Software purchase (purpose restriction)	\$ 7,500	\$ 7,500
Remodeling (purpose restriction)	12,000	1,000
Miscellaneous (purpose restrictions)	<u>1,306</u>	-
	<u><u>\$ 20,806</u></u>	<u><u>\$ 8,500</u></u>

Note 8. Concentrations

Foundations services were concentrated in Noble County, Indiana, during the years ended June 30, 2012 and 2011. During the years ending June 30, 2012 and 2011, approximately 64% and 55%, respectively, of Foundations support and revenue was provided from grants received from the Indiana Family and Social Services Administration.

THE ARC NOBLE COUNTY - FOUNDATIONS

Notes to Financial Statements (Continued)

June 30, 2012 and 2011

Note 9. Commitments

Foundations has committed to purchase software totaling approximately \$25,000, of which a deposit of \$12,500 was made during the year ended June 30, 2011. The software is scheduled to be fully implemented and the remaining amount due paid during the year ended June 30, 2013. Therefore, the purchase commitment outstanding at June 30, 2012, is approximately \$12,500.

Additionally, Foundations has a contract with a related party for the remodel of restrooms for approximately \$27,000. The contract was completed in July 2012; therefore, the purchase commitment outstanding at June 30, 2012, is approximately \$27,000.