B34441

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 3, 2009

Board of Directors
Center for Community Justice, Inc.
121 S. 3rd St.
Elkhart, IN 46516

We have reviewed the audit report prepared by Crowe Chizek and Company, LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 Center for Community Justice, Inc., as of June 30, 2007, 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.

We call your attention to the findings in the report. The management letter contains seven comments.

STATE BOARD OF ACCOUNTS

CENTER FOR COMMUNITY JUSTICE, INC.

FINANCIAL STATEMENTS
June 30, 2007 and 2006

CENTER FOR COMMUNITY JUSTICE, INC.
Elkhart, Indiana

FINANCIAL STATEMENTS
June 30, 2007 and 2006

CONTENTS

Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Center for Community Justice, Inc.
Elkhart, Indiana

We have audited the accompanying statements of financial position of Center for Community Justice, Inc. as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center for Community Justice, Inc.'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 and the *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* issued by the Indiana State Board of Accounts. 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 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 Center for Community Justice, Inc. as of June 30, 2007 and 2006, 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.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

South Bend, Indiana
November 29, 2007

CENTER FOR COMMUNITY JUSTICE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash	$ 315,930	$ 182,490
Cash held for others (Note 6)	4,700	410
Investments	21,761	20,233
Prepaid expenses	13,506	12,633
Grants receivable	567,101	135,999
Other receivables	46,430	71,066
Total current assets	969,428	422,831
Property and equipment		
Land	31,000	31,000
Building and improvements	224,960	224,960
Vehicles	11,902	11,902
Office furniture and equipment	93,491	76,934
	361,353	344,796
Accumulated depreciation	179,754	159,964
Net property and equipment	181,599	184,832
	$ 1,151,027	$ 607,663
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt (Note 3)	$ 5,147	$ 8,119
Accounts payable	16,896	17,068
Funds held for others (Note 6)	4,700	410
Salaries, wages, and other related payables	10,550	9,964
Total current liabilities	37,293	35,561
Long-term debt (Note 3)	9,818	15,470
Total liabilities	47,111	51,031
Net assets		
Unrestricted	511,095	400,448
Temporarily restricted (Note 7)	592,821	156,184
Total net assets	1,103,916	556,632
	$ 1,151,027	$ 607,663

See accompanying notes to financial statements.

CENTER FOR COMMUNITY JUSTICE, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2007 and 2006

	2007	2006
Changes in unrestricted net assets		
Support and revenue		
Program fees	$ 577,769	$ 617,545
Elkhart Parks Department	20,563	19,877
Interest	9,961	11,371
Local contributions	5,611	5,757
Total support and revenue	613,904	654,550
Net assets released from restrictions	665,340	528,215
Total unrestricted support and revenue	1,279,244	1,182,765
Expenses		
Program services	1,015,330	936,788
Management and general	126,388	120,331
Fund raising	26,879	24,962
Total expenses	1,168,597	1,082,081
Change in unrestricted net assets	110,647	100,684
Changes in temporarily restricted net assets		
Support and Revenue		
Elkhart County	1,030,677	448,608
Elkhart County Community Foundation	-	10,000
Indiana Criminal Justice Institute	27,750	60,600
United Way	28,550	34,053
City of Elkhart	10,000	10,000
Other local government	5,000	5,000
Total support and revenue	1,101,977	568,261
Net assets released from restrictions	(665,340)	(528,215)
Change in temporarily restricted net assets	436,637	40,046
Change in net assets	547,284	140,730
Net assets at beginning of year	556,632	415,902
Net assets at end of year	$ 1,103,916	$ 556,632

See accompanying notes to financial statements.

CENTER FOR COMMUNITY JUSTICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2007

	Program Services	Management and General	Fund Raising	Total
Direct program				
Home incarceration program	$ 180,542	$ -	$ -	$ 180,542
Preventive services	1,163	-	-	1,163
Community transition program	11,530	-	-	11,530
	193,235	-	-	193,235
Salaries and related expenses				
Salaries	529,596	84,800	20,007	634,403
Payroll taxes	38,976	6,247	1,474	46,697
Retirement plan (Note 4)	24,968	3,148	889	29,005
Insurance	102,054	13,607	2,316	117,977
Staff development	3,431	457	78	3,966
	699,025	108,259	24,764	832,048
Occupancy				
Rent (Note 5)	3,840	-	-	3,840
Telephone and utilities	11,928	1,590	271	13,789
Repairs and maintenance	6,231	831	141	7,203
	21,999	2,421	412	24,832
General and administrative				
Travel and meals	15,318	2,042	348	17,708
Office supplies and postage	12,628	1,684	287	14,599
Dues and subscriptions	596	79	14	689
Fundraising	22	3	-	25
Professional fees	16,134	5,114	-	21,248
Printing	4,672	623	106	5,401
Insurance	25,949	3,046	486	29,481
Advertising	1,682	-	-	1,682
Processing charges	3,085	402	-	3,487
Miscellaneous	2,060	191	33	2,284
	82,146	13,184	1,274	96,604
Depreciation	17,716	2,362	402	20,480
Interest	1,209	162	27	1,398
Total expenses	$ 1,015,330	$ 126,388	$ 26,879	$ 1,168,597

See accompanying notes to financial statements.

CENTER FOR COMMUNITY JUSTICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2006

	Program Services	Management and General	Fund Raising	Total
Direct program				
Home incarceration program	$ 194,158	$ -	$ -	$ 194,158
Preventive services	200	-	-	200
Community transition program	1,342	-	-	1,342
	195,700	-	-	195,700
Salaries and related expenses				
Salaries	484,548	83,826	19,190	587,564
Payroll taxes	35,705	6,207	1,421	43,333
Retirement plan (Note 4)	21,962	3,236	865	26,063
Insurance	74,414	9,138	1,555	85,107
Staff development	4,161	511	87	4,759
	620,790	102,918	23,118	746,826
Occupancy				
Rent (Note 5)	3,800	-	-	3,800
Telephone and utilities	11,727	1,440	245	13,412
Repairs and maintenance	5,831	716	122	6,669
	21,358	2,156	367	23,881
General and administrative				
Travel and meals	12,877	1,581	269	14,727
Office supplies and postage	9,201	1,130	192	10,523
Dues and subscriptions	486	60	10	556
Professional fees	18,282	6,035	-	24,317
Printing	4,657	572	97	5,326
Insurance	27,622	3,011	482	31,115
Advertising	1,779	-	-	1,779
Processing charges	3,089	372	-	3,461
Miscellaneous	2,157	188	34	2,379
	80,150	12,949	1,084	94,183
Depreciation	17,053	2,095	356	19,504
Interest	1,737	213	37	1,987
Total expenses	$ 936,788	$ 120,331	$ 24,962	$ 1,082,081

See accompanying notes to financial statements.

CENTER FOR COMMUNITY JUSTICE, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	$ 547,284	$ 140,730
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	20,480	19,504
Unrealized and realized (gains) losses on investments	(1,528)	(2,109)
Change in assets and liabilities		
Prepaid expenses and other assets	(873)	(12,633)
Grants receivable	(431,102)	(5,687)
Other receivables	24,781	(11,300)
Accounts payable	(317)	(25,110)
Salaries, wages, and other related payables	586	(1,572)
Net cash from operating activities	159,311	101,823
Cash flows from investing activities		
Purchase equipment	(17,247)	(9,497)
Net cash used in investing activities	(17,247)	(9,497)
Cash flows from financing activities		
Principal payments on long-term debt	(8,624)	(8,269)
Net cash used in financing activities	(8,624)	(8,269)
Net change in cash	133,440	84,057
Cash at beginning of year	182,490	98,433
Cash at end of year	$ 315,930	$ 182,490
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,398	$ 1,987

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: Center for Community Justice, Inc. (Center) was organized in 1984 under the Indiana General Not-For-Profit Corporation Act for the purpose of promoting and operating effective community-based services for victims, offenders and the community. The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Method of Accounting: The Center operations are accounted for on the accrual basis.

Net Assets: The Center reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to donor or grantor imposed restrictions.

The Center's net assets are categorized as follows:

- Unrestricted Net Assets – Represents assets in excess of liabilities presently available for use by the Center at the discretion of the Board of Directors that are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

- Temporarily Restricted Net Assets – Represents assets received by grant or donation whose use is limited by grantor or donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

- Permanently Restricted Net Assets – Represents assets received by grant or donation whose use by the Center is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. As of June 30, 2007 and 2006, the Center has not received any permanently restricted contributions.

The Center records all restricted grants and contributions as restricted support and reclassifies such support to unrestricted support when restrictions expire by passage of time or are fulfilled by actions of the Center.

Revenue Recognition: Revenue from all sources is recorded as revenue in the period earned.

Contributions: The Center records contributions received and unconditional promises to give as unrestricted, temporarily restricted or permanently restricted support depending on the existence of donor restrictions and the nature of restrictions, if they exist. Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash: Cash is held at a local bank of which $100,000 is FDIC insured.

Investments: Investments consist of a certificate of deposit with an original maturity of 14 months and funds held by the Elkhart County Community Foundation as an endowment on behalf of the Center.

Grants Receivable: The Center receives some grants for reimbursement of expenses incurred. A receivable for the reimbursement of allowable program expenditures due from grantors has been recorded at June 30, 2007 and 2006. In addition, grants awarded that are unconditional non-reciprocal promises to transfer assets over a specified period have been recorded as revenue and grants receivable on the date of award. No allowance for uncollectible grants has been recorded since management believes all amounts are collectible.

Other Receivables: The other receivables balance is made up of receivables related to the Home Incarceration Program (HIP), the Victims Offender Reconciliation Program (VORP), the Community Transition Program (CTP), and other miscellaneous contracts.

Allowance for Doubtful Accounts: The Center periodically reviews receivables for collectibility. Management believes all receivables are collectible therefore no allowance was deemed necessary.

Property and Equipment and Depreciation: Land, building and improvements, and furniture and equipment acquired by purchase are recorded at cost at the date of the purchase. Land, building, and improvements acquired by donation are recorded at fair value at the date of the gift. Major additions and improvements greater than $1,000 are capitalized, while maintenance and repairs are expensed as incurred. The Center computes depreciation using the straight-line method over the expected useful life of each asset.

Functional Expenses: Functional expenses of the Center are allocated among program services, management and general, and fund raising. The allocation is based upon either specific identifiable costs or an analysis of personnel time for the related activities.

Management Estimates: Management must make estimates and assumptions in preparing financial statements that affect the amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future and future results could differ. Significant estimates include the allocation of expenses described above.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

(Continued)

NOTE 2 - LINE OF CREDIT

The Center has a 1.0% over prime rate $50,000 line of credit agreement with a bank at June 30, 2007 and 2006. There were no activities or outstanding balances on this line at June 30, 2007 or 2006. The Center has provided its receivables, equipment and general assets as collateral.

NOTE 3 - LONG-TERM DEBT

Long-term debt consists of a 7.0% mortgage payable to a bank, dated May 21, 2002; due in monthly installments of $835 including interest through May 2007 at which time all remaining unpaid principal and interest is due. The mortgage is collateralized by land and building. As of June 30, 2007 and 2006, the total outstanding balance was $14,965 and $23,589, respectively.

As noted on Note 9 in these financial statements, this mortgage was subsequently refinanced after June 30, 2007.

NOTE 4 - RETIREMENT PLAN

The Center has a defined contribution retirement plan covering substantially all eligible employees. The Center's retirement plan contribution is based on the employees' annual compensation. Total contributions to the plan were $29,006 and $26,063 for the years ended June 30, 2007 and 2006, respectively.

NOTE 5 - LEASE COMMITMENTS

The Center leases office space in Goshen, Indiana under an operating lease. The lease is renewable annually every May 1 with an adjusted rent based on consumer price index. Rent expense, excluding real estate taxes, insurance and repair costs, was $3,840 and $3,800 annually for 2007 and 2006.

In addition, the Center leases electronic tracking devices and service on these devices for its Home Incarceration Program. The terms of the operating lease are month-to-month and the Center only pays for the devices in use. Rent expense for these devices was $174,187 for 2007 and $180,775 for 2006.

(Continued)

NOTE 6 - FUNDS HELD FOR OTHERS

The transactions in this account are considered to be agency transactions and are not included in the Statement of Activities of the Center. As of June 30, 2007 and 2006 the balances of the funds held for others are as follows:

	2007	2006
Victim Offender Restitution Contracts	$ 4,700	$ 410

Funds held for others include restitution payments from offenders to victims. These funds pass through the Center in order to maintain a record for the victim offender restitution contracts.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

All of the temporarily restricted net assets are restricted for the purpose of operating community-based services for victims, offenders and the community. Additionally, the net assets are restricted due to time restrictions. At June 30, 2007, temporarily restricted net assets consist of the following:

Funding Source	Amount	End of Restriction Period
Elkhart County – Adult Correction	$ 467,207	June 30, 2008
Elkhart County – Juvenile Corrections	65,589	June 30, 2008
Elkhart County	37,500	December 31, 2007
Elkhart County – Victim Impact	8,250	December 31, 2007
United Way	14,275	December 31, 2007
	$ 592,821	

At June 30, 2006, temporarily restricted net assets consisted of the following:

Funding Source	Amount	End of Restriction Period
Elkhart County – Adult Corrections	$ 64,583	June 30, 2007
Elkhart County	50,000	December 31, 2006
City of Elkhart Downtown Project	4,167	June 30, 2007
United Way	17,026	December 31, 2006
City of Indiana Criminal Justice Institute	20,408	March 31, 2007
	$ 156,184	

(Continued)

NOTE 8 - CONTINGENT LIABILITY

Pursuant to a contractual agreement with the Board of Commissioners of Elkhart County, for and on behalf of the Community Corrections Advisory Board (CCAB), the CCAB reserves the right to request a return of user fees collected by the Center to be used to fund additional community corrective action programs in Elkhart County. As of the date of these financial statements, no amount has been requested by the CCAB for user fees collected prior to June 30, 2007, and as a result, no liability has been included within these financial statements.

NOTE 9 – SUBSEQUENT EVENTS

On August 13, 2007, the Center signed an agreement with JP Morgan Chase Bank to refinance the remaining $14,217 of the Center's mortgage. The new agreement calls for 36 monthly payments of $444. The interest rate is fixed at 7.55%.

Crowe

Crowe Chizek and Company LLC
Member Horwath International

Board of Directors
Center for Community Justice, Inc.
Elkhart, Indiana

In planning and performing our audit of the financial statements of Center for Community Justice, Inc. (the "Center") for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter may be classified as follows.

- Best Practice – A matter which you may find of interest.

- Deficiency – A control deficiency 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 misstatements on a timely basis.

- Significant Deficiency – A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

- Material Weakness – A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

ACCRUAL BASIS FINANCIAL STATEMENTS	Significant Deficiency
Observation:	A new auditing standard, Statement on Auditing Standards (SAS) No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*", clarifies management's responsibility to have internal controls in place to apply appropriate accounting principles and provide information to produce the year-end financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). While management is not required to prepare the financial statements, management does need to demonstrate the level of qualifications and controls to prepare and review the report without significant deficiencies or material weaknesses in these controls. While management has made significant progress during 2007 to prepare financial statements internally on the accrual basis and compute grants receivable and the related revenue on the accrual basis, consistent with prior years, year-end journal entries were recorded in connection with the audit to adjust the financial statements to the accrual basis.
Business Risk:	The potential still exists for internal financial reporting to be inaccurate and not materially consistent with GAAP.
Recommendation:	With the adoption of new auditing standards and increased scrutiny on financial reporting, it is important that management continue to improve their current practice. We encourage management to prepare and post all year end adjusting entries prior to providing us with the trial balance in the future, which will improve the internal controls over financial reporting.

SEGREGATION OF DUTIES	Deficiency
Observation:	During the course of our audit, we noted that the Financial Manager has the responsibility of making daily cash deposits as well as posting daily cash receipts. The segregation of duties of major functions related to operations is important to the system of internal accounting control. The conceptual basis for the segregation of duties is that different employees handle different parts of the same transaction and the work done by each acts as a check on others.
Risk:	Lack of segregation of duties increases the risk of fraud. In relation to the cash receipts cycle, a lack of segregation of duties provides the employee the opportunity to improperly use cash received by the Center and conceal it by not posting the payment into the system against the balance.
Recommendation:	We understand that, due to the small size of the Center's staff, complete segregation is not feasible. We also understand that the Center has taken many steps to improve segregation of duties within the accounting function. However, we still must encourage the Center to continue to increase the segregation of duties over cash receipts when possible.

OUTSTANDING CHECKS	Deficiency
Observation:	The Center acts as a pass-through agent for the Victim-Offender Reconciliation Program (VORP) by receiving payments from offenders and distributing the funds to the victims. There are no additional fees or transaction costs assessed by the Center so the balance in the cash account ('Cash held for Others') should always be equal to the corresponding liability ('Funds held for others'). While reviewing reconciling items for this account, we noted several outstanding checks written between six months and seven years prior to period end that had never been cashed.
Risk:	The potential exists for the cash account and offsetting liability account to be misstated.
Recommendation:	It is our recommendation that management investigate these outstanding checks to determine if checks should be reissued or if the checks should be written off and added back to the cash balance.

We also identified certain other matters which you may find of interest.

ACCOUNTING POLICIES AND PROCEDURES	Best Practice
Observation:	In the prior year, we noted that the Center had not developed formal written policies and procedures for operations, accounting, and financial reporting functions. In response to this recommendation, we noted that management has made significant progress towards the development of a policies and procedures manual.
Recommendation:	We recommend that management continue to focus on the development of formalized written policies and procedures, and include a special emphasis on identifying the control procedures in place that help prevent and detect misstatements (either caused by error or fraud) on a timely basis.

CONTROL RISK ASSESSMENT – IMPACT OF RISK ASSESSMENT STANDARDS	Best Practice
Observation:	The Auditing Standards Board (ASB) has issued a series of new audit standards (the "Risk Assessment Standards") and these standards represent the ASB's ongoing efforts to develop stronger and more definitive auditing standards that are intended to enhance auditor performance and thereby improve audit effectiveness. The new Statements on Auditing Standards ("SAS"), which are effective for audits of periods beginning on or after December 15, 2006, will be implemented for the June 30, 2008 audit. These standards will, among other things, expand the auditor requirements of understanding, documenting, and testing and corroborating internal controls, and will require a much more detailed risk assessment process at both the financial statement and relevant assertion level. The increased scope related to these new standards could potentially uncover deficiencies, significant deficiencies, or material weaknesses in internal control that would be required to be reported at a future date.
Recommendation:	We recommend management perform an independent assessment on the strength of the Center's internal controls relative to the overall governance of the Center (ie. the "tone at the top"), and all significant financial statement accounts and relevant assertions. We are currently working on a "Control Risk Assessment" model which may be used as a tool to identify and document all control areas that should be considered and reviewed, and we will share this with management as soon as we can feasibly do so.

FIXED ASSET MAINTENANCE	Best Practice
Observation:	We noted during our testing that the internal fixed asset detail schedules included assets that were disposed of in prior years. While the account balances at June 30, 2007 were appropriate, the underlying detail did not tie to these amounts since the disposed assets were included.
Recommendation:	We recommendation that management remove assets from this detail once they are disposed. This will ease the overall process of maintaining and calculating depreciation and the detailed records will agree with the general ledger balances.

FUNDRAISING ACTIVITIES		Best Practice
Observation:	It is our understanding that the Center may begin to focus additional efforts on fundraising activities in the near future. External users of not-for-profit financial statements focus not only on amounts raised by fund-raising efforts but also the costs associated with fund-raising activities. This focus creates incentives in circumstances in which 'joint activities' are conducted, for entities to report expenses as program or management and general expenses rather than fund-raising expenses. Some expenses are directly related to, and can be assigned to, a single major program or service or a single supporting activity. Other expenses relate to more than one program or supporting activity, or to a combination of programs and supporting services. These expenses should be allocated among the appropriate functions. Examples include a direct mail solicitation that combines fund-raising with program activities, salaries of persons who perform more than one kind of service, and the rental of a building used for various programs and supporting activities. Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*, addresses the issue of costs related to printed or published materials by requiring that the costs associated with joint activities be reported as fund-raising expenses, unless certain criteria — **purpose, audience, and content** — are all met.	
Recommendation:	We recommend management review the specific literature of SOP 98-2 to ensure that these types of fundraising costs are appropriately classified between the functional expense categories. In addition, management should also consider the means in determining the allocation or specific identification of other fundraising costs, to ensure they are properly presented in the future.	

EMERGING ISSUES

<u>*Good Governance Practices Guidelines for Tax-Exempt Organizations:*</u> The Corporate Governance Task Force of the Internal Revenue Service (IRS) proposed guidelines entitled "Good Governance Practices for 501(c)(3) Organizations." The guidelines are aimed at both historical areas of interest by the IRS and newer areas such as the Sarbanes-Oxley Act, and the Panel on the Nonprofit Sector. Increasing the awareness of those charges with governance is the main purpose of the new guidelines, and it highlights three main areas of heightened awareness, including:

- Tolerance of a climate of neglect or secrecy will increases the risk that assets will be used to advance an unauthorized private interest.
- Diversity among the governing board, including persons with expertise in accounting, finance, compensation, ethics, and members passionate about the Center's programs, is an important element of a successful governing board.

- Governing boards that are very large or very small may be problematic as small boards may not represent the public interests, and the large boards may not pay as much attention to their oversight responsibilities.

The IRS suggests these guidelines as best practices, which will aid organizations in pursuing exempt purposes and earning public support. However, these guidelines are not a requirement for exemption.

990 Tax Return Revisions:

The Internal Revenue Service (IRS) is in the process of revising Form 990 *Return for Organization Exempt from Income Tax* for the 2008 tax year. The Form 990 is used by the IRS as the primary tax compliance tool for organizations that are tax-exempt. On June 14th, 2007 a discussion draft of the redesigned Form 990 was released to the public for comments. The revision by the IRS includes expanding the current Form 990 into 15 separate schedules requiring greater detail in specific areas. Each organization will need to determine which of the 15 schedules are applicable to their organization based on their entity type and the activities conducted. The revisions are guided by three main principles; enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization. Comments on the revised Form 990 are due no later than September 14, 2007.

Also, there are e-filing requirements for Form 990 and 990-PF for certain large tax-exempt organizations. For tax years ending on or after December 31, 2006, the electronic filing requirement applies to exempt organizations with $10 million or more in total assets if the organization files at least 250 returns in a calendar year, including income, excise, employment tax, and information returns which include Forms W-2s and 1099s. Private foundations and non-exempt charitable trusts will be required to file Form 990-PF electronically regardless of their asset size, if they file 250 returns annually. The electronic filing requirement does not apply to Form 8868. Part 1 of Form 8868 for the automatic three month extension can be filed electronically or by paper. The IRS has established specific criteria under which tax-exempt organizations can request waivers from the electronic filing requirement.

Small tax-exempt organizations, whose gross receipts are normally $25,000 or less, are not required to file Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

Newly Issued Auditing Standards:

The Auditing Standards Board (ASB) has issued a series of new audit standards which are collectively referred to as the Risk Assessment Standards and these standards represent the ASB's ongoing efforts to develop stronger and more definitive auditing standards that are intended to enhance auditor performance and thereby improve audit effectiveness. The new Statements on Auditing Standards ("SAS"), which are effective for audits of periods beginning on or after December 15, 2006, include:

SAS No. 104, *Amendment to Statement on Auditing Standards No. 1,* Codification of Auditing Standards and Procedures (*"Due Professional Care in the Performance of Work"*)

- Key Concept: Defines reasonable assurance as a "high level of assurance."

SAS No. 105, Amendment *to Statement on Auditing Standards No. 95,* Generally Accepted Auditing Standards

Key concepts:

- Expands the understanding that the auditor must obtain from "internal control" to "the entity and its environment, including its internal control."
- The quality and depth of the understanding that is to be obtained is amended from "planning the audit" to "assessing the risk of material misstatement of the financial statements whether due to error or fraud and to design the nature, timing and extent of further audit procedures."

SAS No. 106, *Audit Evidence*

Key concepts:

- Defines audit evidence as "all the information used by the auditor in arriving at the conclusions on which the audit opinion is based."
- Recategorizes assertions by classes of transactions, account balances, and presentation and disclosure and describes how the auditor uses relevant assertions to assess risk and design audit procedures.
- Defines relevant assertions as those assertions that have a meaningful bearing on whether the account is fairly stated.
- Provides additional guidance on the reliability of various kinds of audit evidence.
- Introduces the concept of risk assessment procedures, which are necessary to provide a basis for assessing the risk of material misstatement. The results of risk assessment procedures, along with the results of additional audit procedures, provide audit evidence that supports the opinion on the financial statements.
- Describes the type of audit procedures that may be used as risk assessment procedures, tests of controls or substantive procedures.
- Inquiry alone is not sufficient to evaluate the design of internal control and to determine if it has been implemented.

SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*

Key concepts:

- The auditor must consider audit risk and materiality to identify and assess the risk of material misstatement.
- The combined assessment of inherent and control risks is termed the risk of material misstatement.
- The audit must assess and document the risk of material misstatement as a basis for further audit procedures. A maximum control risk can no longer be assessed without having a basis for that assessment.
- Additional guidance on the communication of known or likely misstatements identified during the audit to management is outlined.

- Guidance on the appropriate auditor's response to the types of misstatements identified is provided.

SAS No. 108, *Planning and Supervision*

- Key Concept: Provides guidance on the appointment of the independent auditor, establishing an understanding with the Center, preliminary engagement activities, the overall audit strategy, the audit plan, determining the extent of involvement of professionals possessing specialized skills, using a professional possessing information technology (IT) skills to understand the effect of IT on the audit, additional considerations in the initial audit engagement and supervision of assistants.

SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

Key concepts:

- Describes audit procedures that the auditor should perform to obtain the understanding of the Center and its environment, including internal control.
- The audit team must discuss the susceptibility of the Center's financial statements to material misstatement.
- The purpose of obtaining an understanding of the Center and its environment, including its internal control, is to identify and assess "the risk of material misstatement" and design and perform further audit procedures responsive to the assessed risk.
- The risk of material misstatement should be assessed at both the financial statement and relevant assertion level.
- Provides direction on how to evaluate the design of the Center's controls and determine whether the controls are adequate and have been implemented.
- Directs the auditor to consider whether any of the assessed risks are significant risks that require special audit considerations or risks for which substantive procedures alone do not provide sufficient appropriate audit evidence.
- Provides guidance on documentation that is significantly greater than what was required in the past.

SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*

Key concepts:

- Provides guidance on determining overall responses to address the risk of material misstatement at the financial statement level and the nature of those responses.
- Requires the documentation of the linkage between assessed risks and further audit procedures.
- Provides additional guidance on determining the nature, timing, and extent of audit procedures including listing certain substantive procedures that should be performed on all engagements.

SAS No. 111, *Amendment to Statement on Auditing Standards No. 39,* Audit Sampling

- Key Concept: Provides guidance relating to the auditor's judgment about establishing tolerable misstatement for a specific audit procedure and on the application of sampling to tests of controls.

This communication is intended solely for the information and use of management, the Audit Committee, the Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

South Bend, Indiana
November 29, 2007

Crowe

Crowe Chizek and Company LLC
Member Horwath International

Audit Committee of the Board of Directors
Center for Community Justice, Inc.
Elkhart, Indiana

Committee Members:

To assist the Audit Committee in overseeing the financial reporting and disclosure process for the Center for Community Justice ("the Center") for which management is responsible, we are submitting this letter to the Audit Committee. The matters communicated include selected responsibilities of each of the parties and the audit process.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Audit Committee should understand that an audit conducted in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement. Similarly, under these same standards, the auditor obtains a sufficient understanding of internal control to plan the audit, but this understanding and the tests of selected internal controls that are performed are not sufficient for the auditor to express an opinion on the effective operation of internal control.

MANAGEMENT'S JUDGMENTS AND ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The process used by management in formulating particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates primarily involved the following areas for this year:

Area / Accounting Policy	Judgments and Estimates
Allowance For Doubtful Accounts And Bad Debt Expense	Management reviews receivables periodically for collectibility and has determined that no allowance for doubtful accounts related to grants receivable or other receivables was necessary at June 30, 2007. All amounts have been deemed to be collectible based upon subsequent cash receipts as well as historical experience with the agencies providing the grants. We have reviewed management estimates as well as the information utilized by management in developing this estimate.
Useful Lives Of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the entity. We have tested management's estimate of the economic useful lives based on past asset acquisitions and other factors that impact their economic value to the entity.
Expense Allocations	Management has determined allocations for presentation of certain expenses (depreciation, maintenance and repairs, payroll expenses, and interest) among program services, management and general and fundraising development activities. The allocation is based upon either specific identifiable costs or an analysis of personnel time for the related activities. We reviewed these allocations for reasonableness.

INITIAL SELECTION OF AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Audit Committee should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Audit Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Audit Committee about such matters.

To assist the Audit Committee in its oversight role, we direct your attention to Note 1 of the financial statements where significant accounting policies are disclosed.

CORRECTED AND UNCORRECTED AUDIT ADJUSTMENTS

Corrected Audit Adjustments: We are responsible for informing the Audit Committee about adjustments to the financial statements arising from our audit that could, in our judgment, have a significant effect on your financial reporting process, including the potential that future financial statements could be materially misstated. Please see the list of adjusting journal entries attached.

Uncorrected Audit Adjustments: We are also responsible for informing the Audit Committee about uncorrected financial statement misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Please see the list of waived adjusting journal entries attached.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information In Documents Containing Audited Financial Statements The Audit Committee often considers information prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by the auditing standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We understand that management has not prepared such information to accompany the financial statements.
Disagreements With Management We are required to discuss with the Audit Committee any disagreements with management over the application of accounting principles or the basis for management's judgment about accounting estimates.	During our audit, there were no such disagreements with management.
Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform the Audit Committee of such consultation, if we are aware of it, and provide our views on the matters discussed.	We are not aware of any instances where management consulted with other accountants about matters which might affect your financial statements since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Major Issues Discussed With Management Prior To Our Retention We are to discuss with the Audit Committee any major issues discussed with management in connection with our retention as auditors, including the application of accounting principles or auditing standards.	There were no such issues discussed with management in connection with our retention as auditors.

Communication Item	Results
Difficulties Encountered In Performing The Audit We are to inform the Audit Committee of any serious difficulties encountered in dealing with management related to the performance of the audit.	There were no difficulties encountered in dealing with management related to the performance of the audit.

We were pleased to serve the Center as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Audit Committee, Board of Directors, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

South Bend, Indiana
November 29, 2007

Center for Community Justice
Summary of Audit Adjusting Entries
June 30, 2007

Current Year Grant Cash to Accrual Adjustment

			Increase (Decrease)		
Account Name	**Debit**	**Credit**	**Asset**	**Liability**	**Income**
United Way	2,878				(2,878)
Elkhart County	12,500				(12,500)
ICJI Juv Just. - GFIP	25,408				(25,408)
Comm.Corr. Adult		402,621			402,621
Comm. Corrections Juv.		65,582			65,582
Victim Impact		8,250			8,250
Grant Receivable	435,667		435,667		

Comments -- To adjust grant revenue and receivable to the accrual basis from cash basis of accounting.

Grants Receivable

			Increase (Decrease)		
Account Name	**Debit**	**Credit**	**Asset**	**Liability**	**Income**
Receivable	75,278		75,278		
Net Assets		75,278		75,278	

Comments -- To adjust the grant receivable balance to actual for the impact of the PY entries

HIP Receivable

			Increase (Decrease)		
Account Name	**Debit**	**Credit**	**Asset**	**Liability**	**Income**
HIP Receivable	22,379		22,379		
HIP Revenue		22,379			22,379

Comments -- To record estimated HIP funds receivable.

Center for Community Justice
Summary of Uncorrected Adjusting Entries
June 30, 2007

In-Kind Gift Revenue Recognition

			Increase (Decrease)		
Account Name	**Debit**	**Credit**	**Asset**	**Liability**	**Income**
Lease Expense	3,300				(3,300)
In-Kind Gift Revenue		3,300			3,300

Comments -- The Center rents its office space in Goshen, Indiana for less than market value. Therefore an In-Kind Gift should be recognized.