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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 4, 2009

Board of Directors
Bridges Community Services, Inc.
318 W. Eighth Street
Muncie, IN 47302

We have reviewed the audit report prepared by Summers, Carroll, Whisler, LLC, Independent Public Accountants, for the period June 1, 2007 to May 31, 2008. 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 Bridges Community Services, Inc., as of May 31, 2008, 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 two comments. The report on internal control contains one comment.

STATE BOARD OF ACCOUNTS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

BRIDGES COMMUNITY SERVICES, INC.

MAY 31, 2008

Summers, Carroll, Whisler LLC
Certified Public Accountants

C O N T E N T S

Summers, Carroll, Whisler LLC
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Bridges Community Services, Inc.

We have audited the accompanying statement of financial position of Bridges Community Services, Inc. (a non-profit organization) as of May 31, 2008 and the related statements of activities, functional expenses, and cash flow for the year 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 audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 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 audit provides 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 Bridges Community Services, Inc. as of May 31, 2008 and the changes in its net assets and its cash flow for the year then ended, in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2008 on our consideration of Bridges Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Summers, Carroll, Whisler LLC

Muncie, Indiana
September 18, 2008

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Bridges Community Services, Inc.

STATEMENT OF FINANCIAL POSITION

May 31, 2008

ASSETS

CURRENT ASSETS	
Cash	$ 48,302
Accounts receivable	3,876
Building material inventory	2,400
Total current assets	54,578
PROPERTY AND EQUIPMENT	
Building and land	1,054,854
Furnishing	46,829
Vehicles	36,584
Equipment	43,321
	1,181,588
Less accumulated depreciation	304,572
	877,016
OTHER ASSETS	
Notes receivable, net annual amortization	20,665
Property investments	92,677
Other assets	1,093
	114,435
	$ 1,046,029

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Tenant deposits	$ 4,632
Accounts payable	2,598
Line-of-credit	22,000
Current maturities of long-term debt	24,460
Accrued payroll and liabilities	8,034
Total current liabilities	61,724
LONG-TERM LIABILITIES	
Long-term debt, less current maturities	256,014
Total liablilties	317,738
NET ASSETS	
Unrestricted net assets	728,291
	$ 1,046,029

Bridges Community Services, Inc.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2008

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Grants	$ 351,522		$ 351,522
Contributions	3,449		3,449
Total public support	354,971		354,971
Revenue			
Rental income	66,774		66,774
Miscellaneous income	5,659		5,659
Total revenue	72,433		72,433
Total public support and revenue	427,404		427,404
Expenses			
Program Services - Properties	334,624		334,624
Management and General	125,710		125,710
	460,334		460,334
DECREASE IN NET ASSETS	(32,930)		(32,930)
Net assets at beginning of year	761,221		761,221
Net assets at end of year	$ 728,291	$	$ 728,291

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2008

	Program Services - Properties	Management and General	Total
Wages	$ 130,029	$ 55,726	$ 185,755
Payroll taxes	11,389	4,881	16,270
Employee benefits	20,353	8,722	29,075
Advertising	2,990		2,990
Bad debt	5,670		5,670
Client services	12,533		12,533
Insurance	11,537	4,944	16,481
Interest	19,190	8,224	27,414
Office supplies and expense	6,770	2,901	9,671
Professional fees	1,261	10,500	11,761
Real estate taxes	2,549	486	3,035
Repairs and maintenance	26,258	5,001	31,259
Travel		3,865	3,865
Utilities and telephone	33,335	14,286	47,621
Miscellaneous	6,488	2,781	9,269
Depreciation	36,157	3,393	39,550
Amortization	115		115
First-time home buyer amortization expense	8,000		8,000
	$ 334,624	$ 125,710	$ 460,334

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

STATEMENT OF CASH FLOW

Year Ended May 31, 2008

Cash flow from operating activities:	
Decrease in net assets	$ (32,930)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	39,550
Amortization	8,115
(Increase) decrease in assets:	
Receivables	4,416
Inventory	2,400
Increase (decrease) in liabilities:	
Payables	(7,485)
Tenant deposits	2,122
Accrued payroll and liabilities	(1,190)
Net cash provided by operating activities	14,998
Cash flow from investing activities:	
Purchase of property and equipment	(21,920)
Net cash used in investing activities	(21,920)
Cash flow from financing activities:	
Proceeds from issuance of long-term debt	75,892
Principal payments on long-term debt	(42,452)
Net borrowing under line-of-credit	15,000
Net cash provided by financing activities	48,440
Net increase in cash and cash equivalents	41,518
Cash and cash equivalents at beginning of year	6,784
Cash and cash equivalents at end of year	$ 48,302
Interest paid	$ 27,414

The accompanying notes are an integral part of this statement.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Bridges Community Services, Inc. is a non-profit organization whose primary purpose is to develop, coordinate, and provide housing, social services, and educational programs for low- and moderate-income residents of Muncie, Indiana, which will lead to economic independence and homeownership opportunities. Support consists primarily of grants from public and private organizations.

Bridges Community Services, Inc. is a non-profit organization qualifying under Section 501(c)(3) of the Internal Revenue Code. As such, it is not liable for federal and state income taxes and no liability for such taxes appears in these statements.

2. Basis of Presentation

The financial statements of the organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and its *Statement of Financial Accounting Standards (SFAS) No. 117,* "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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. In addition, the organization is required to present a statement of cash flow.

3. Cash and Cash Equivalents

The organization maintains cash in accounts at local financial institutions which are insured by agencies of the U.S. Government. For purposes of the statement of cash flow, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

4. Inventory

Building materials on hand as a result of contributions are recorded at fair market value as of the date of donation, while purchased materials are recorded at cost.

5. Receivables

The organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Should management deem any receivables to be uncollectible, the outstanding balance is written off to bad debt. Amounts written off to bad debts have been immaterial to the financial statements.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Property and Equipment

The organization capitalizes all expenditures for property in service and equipment in excess of $1,000. Property and equipment are recorded at fair market value at date of donation or at cost if purchased. Depreciation is computed by the straight-line method over useful lives ranging from five to forty years. Upon retirement or sale of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if applicable, is recorded.

7. Property Investments

Property investments consist of real estate and are carried at cost if purchased. Donated properties are reflected as contributions at their estimated market values at the date of receipt. Property investments which are transferred to in-service property are depreciated beginning at the in-service date. Major improvements to the real estate are also then capitalized.

8. Public Support and Revenue

In accordance with *Statement of Financial Accounting Standards (SFAS) No. 116*, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grant revenue is recognized in the period the related expenses are incurred.

Program service fees (rental income) are recognized when the service has been provided. Rents receivables are written off to bad debts if and when management deems they are uncollectible.

Grant revenue that is restricted by the grantor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grant revenue is recognized. All other donor-restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

9. Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Donated Materials and Services

Donated materials, equipment and services, when received and measurable, are reflected as contributions in the accompanying financial statements at their estimated fair market value at date of receipt.

11. Functional Expenses

Functional expenses, if not directly traceable, have been allocated between Program Services, and Management and General Services, based on an analysis of personnel time utilized for the related activities.

12. Compensated Absences

Full-time employees are entitled to paid vacations of one week after one year of employment and two weeks thereafter; however, an accrual has not been made as an amount cannot be easily estimated.

13. Advertising Costs

Advertising costs are expensed as incurred and included in functional expenses, advertising expense totaled $2,990 for the year ended May 31, 2008.

14. Use of Estimates

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

NOTE B - NOTES RECEIVABLE

In September 2005, Bridges Community Services, Inc. entered into two forgivable loans with a first-time home buyer in the amounts of $5,000 and $14,999 with 0% per annum interest rate thereon. The principal amount shall be amortized over a five-year loan period. In the event of default within the five-year period, the amount unamortized, along with a 10% per annum interest, will be due to Bridges Community Services, Inc. Upon default, Bridges Community Services, Inc. may use the property sold to the first-time home buyer for any one of its other programs. The amount amortized for the year ending May 31, 2008 was $4,000.

In May 2006, Bridges Community Services, Inc. entered into two forgivable loans with a first-time home buyer in the amounts of $5,000 and $14,999 with 0% per annum interest rate thereon. The principal amount shall be amortized over a five-year loan period. In the event of default within the five-year period, the amount unamortized, along with a 10% per annum interest, will be due to Bridges Community Services, Inc. Upon default, Bridges Community Services, Inc. may use the property sold to the first-time home buyer for any one of its other programs. The amount amortized for the year ending May 31, 2008 was $4,000.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

NOTE C - LINE OF CREDIT

As of May 31, 2008, the organization had a line of credit which expires August 28, 2008. Advances are received by the organization under the agreement, up to a maximum of $25,000. Advances are due to be repaid at maturity. Interest is payable twice monthly and accrues at a rate that fluctuates with prime. The interest rate at May 31, 2008 was 8.00%. The organization had an outstanding balance of $22,000 on the line of credit as of May 31, 2008. This line of credit is secured by property located in Muncie, Indiana.

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at May 31, 2008.

Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling $3,812, including variable interest rates varying between 6.25% to 8.50% and maturing from 2008 to 2021	$280,474

Annual maturities for the five years ending May 31 are as follows.

May 31, 2009	$ 24,460
2010	21,603
2011	67,530
2012	30,922
2013	57,866
2014 and thereafter	78,093
	$280,474

NOTE E - DONATED MATERIALS AND SERVICES

The value of donated materials and services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

NOTE F - INTEREST EXPENSE

Interest costs totaling $27,414 were incurred during the year ended May 31, 2008. No interest costs were capitalized as part of the costs of assets acquired during the year.

NOTE G - COMMITMENTS AND CONTINGENCIES

The organization is subject to laws and regulations relating to the protection of the environment. The organization's policy is to accrue environmental and cleanup-related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the organization's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the organization.

Bridges Community Services, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

NOTE G - COMMITMENTS AND CONTINGENCIES - Continued

The organization owns various properties that were purchased with HOME funds received via forgivable loans from the City of Muncie, Indiana's Community Development. These forgivable loans require these properties to provide housing for low- and moderate-income residents over the period of amortization.

The organization owns property at 2015 South Penn, Muncie, Indiana that was donated by the City of Muncie, Indiana's Community Development, and the city holds a mortgage on the property for real estate taxes paid by the city prior to the donation. Upon the sale of the property to a first-time home buyer, the city will release the lien on the property.

The organization owns property at 1420 South Liberty, Muncie, Indiana that was rehabilitated using HOME funds received via a forgivable loan from the City of Muncie, Indiana's Community Development. The city holds a mortgage securing payment of this forgivable loan during the period of amortization.

The organization, as lessor, has entered into lease purchase agreements for various properties it owns. The option periods for these agreements terminate on a range of dates between December 2008 and November 2009. Within these purchase agreements, the organization has committed to providing forgivable loans secured with second mortgages to the lessees. The majority of these forgivable loans' funds are available to the lessee via a governmental first-time home buyer program.

SPECIAL REPORT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Bridges Community Services, Inc.

We have audited the financial statements of Bridges Community Services, Inc. as of and for the year ended May 31, 2008 and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bridges Community Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Bridges Community Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of directors, management and federal awarding agencies and should not be used by anyone other than these specified parties.

Summers, Carroll, Whisler LLC

Muncie, Indiana
September 18, 2008

Summers, Carroll, Whisler LLC
Certified Public Accountants

October 8, 2008

To the Board of Directors and Susie Kemp, Executive Director
of Bridges Community Services, Inc.

In planning and performing our audit of the financial statements of Bridges Community Services, Inc. as of and for the year ended May 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Bridges Community Services, Inc.'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 Organization's internal control.

However, during our audit we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 8, 2008 contains our report on significant deficiencies in the Organization's internal control. This letter does not affect our report dated September 18, 2008 on the financial statements of Bridges Community Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Summers, Carroll, Whisler LLC

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Management Letter Points

Board of Directors Approvals and Minutes

As we noted in the management letter related to our prior year's audit, in a nonprofit entity, the Board of Directors is charged with governance of the nonprofit organization. While many day-to-day responsibilities are typically and justifiably delegated to management of the organization by the Board of Directors, the minutes of the Board of Directors meetings need to note the discussion of and the approval for actions taken by Bridges Community Services, Inc. (Bridges) that are not typical day-to-day responsibilities. As an example, providing forgivable loans to individuals for the purpose of buying a home from Bridges (through the first-time homebuyers program) may not be abnormal, but due to the nature of the transaction we believe it would be prudent to note the Board's approval for each instance in the minutes; indicating who made the motion for the action, who seconded, and whether or not the motion passed.

Year-end Cut-off for Payroll Taxes

It is our understanding that checks are run to cover payroll taxes at the end of each month in an attempt to keep disbursements and expenses within the same period. However, since the checks are held until closer to the payroll taxes' due date, the financial records maintained in the software package QuickBooks do not always agree with what actually happens during the month. For instance, the check to cover the required federal payroll tax deposit for the month of May 2008 was prepared on May 31, 2008. The payment was taken to the bank on June 13, 2008 in time to meet the June 15, 2008 due date. This resulted in cash and liabilities both being understated by over $5,000 at year-end. In order to have a clean cut-off at month-end and especially at year-end, we suggest that checks for disbursements not be prepared so close to the end of the month unless it is known at the time they are prepared that the checks will be distributed by month end.

Summers, Carroll, Whisler *LLC*

Certified Public Accountants

To the Board of Directors and Susie Kemp, Executive Director
of Bridges Community Services, Inc.

In planning and performing our audit of the financial statements of Bridges Community Services, Inc. as of and for the year ended May 31, 2008, in accordance with U.S. generally accepted auditing standards, we considered Bridges Community Services, Inc.'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 deficiencies in internal control that we consider to be significant deficiencies.

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. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flow, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). As part of the audit, management requested us to prepare a draft of your financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in organizations of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management does not have the ability to evaluate the completeness of financial statement disclosures. The absence of this control procedure is considered a significant

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deficiency because the potential exists that a more than inconsequential but less than material misstatement of the financial statements could occur and not be prevented or detected by the Organization's internal control. In addition, we noted other matters involving the internal control and its operation that we have reported to management of Bridges Community Services, Inc. in a separate letter dated October 8, 2008.

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

Summers, Carroll, Whisler LLC

Muncie, Indiana
October 8, 2008