



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 18, 2009

Board of Directors
Community & Family Services, Inc.
521 South Wayne St.
Portland, IN 47371

We have reviewed the audit report prepared by Krueger & Associates, CPA's, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 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 Community & Family Services, Inc., as of December 31, 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 finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

38-601.00

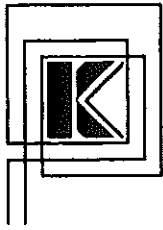
COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

FINANCIAL STATEMENTS
For the Years Ended
December 31, 2007 and 2006

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT.....	1 - 2
EXHIBIT A STATEMENTS OF FINANCIAL POSITION December 31, 2007 and 2006.....	3
EXHIBIT B STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2007 and 2006.....	4 - 5
EXHIBIT C STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2007 and 2006.....	6
NOTES TO FINANCIAL STATEMENTS.....	7 - 13
SCHEDULE OF PROGRAM ACTIVITY.....	14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	15
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	16
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	17 - 18
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	19 - 20
MANAGEMENT LETTER.....	21



Krueger & Associates, CPA's, LLC

1845 Newton Street • Jasper, Indiana 47546 • (812) 482-4454 • (812) 482-4459 Fax

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community & Family Services, Inc.
Portland, Indiana

We have audited the accompanying statements of financial position of Community & Family Services, Inc. (a nonprofit organization) as of December 31, 2007 and 2006 and the related statements of activities 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 audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 Community & Family Services, Inc. as of December 31, 2007 and 2006 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Community & Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Community & Family Services, Inc. taken as a whole. The schedule of program activity is presented for purposes of additional analysis and is not a required part of the financial statements of Community & Family Services, Inc. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the financial statements of Community & Family Services, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kreuzer & Associates, CPAs, LLC

Certified Public Accountants

Jasper, IN
August 29, 2008

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

EXHIBIT A

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u> 2007	<u>December 31,</u> 2006
ASSETS		
Current Assets		
Cash in bank	\$277,382	\$170,061
Grants receivable	328,697	314,287
Prepaid insurance	6,938	16,635
Total current assets	<u>613,017</u>	<u>500,983</u>
Property and Equipment, Net (Note I)	<u>512,316</u>	<u>238,727</u>
Total assets	<u>\$1,125,333</u>	<u>\$739,710</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$229,379	\$272,244
Due to other funds/funding source	40,402	0
Accruals:		
Payroll & related	106,494	91,632
Vacation	101,604	102,247
Total current liabilities	<u>477,879</u>	<u>466,123</u>
Total liabilities	<u>477,879</u>	<u>466,123</u>
Net Assets		
Unrestricted	566,188	273,587
Temporarily restricted	81,266	0
Total Net Assets	<u>647,454</u>	<u>273,587</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,125,333</u>	<u>\$739,710</u>

The accompanying notes are an integral part of the financial statements

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

EXHIBIT B

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Current year awards	\$0	\$7,065,669	\$7,065,669
Program income	41,854	0	41,854
Interest income	3,107	0	3,107
In kind contributions	420,089	0	420,089
Fundraising	1,300	0	1,300
Other	335,184	0	335,184
Net assets released from restriction through satisfaction of program restrictions	6,984,403	(6,984,403)	0
Total Revenue	7,785,937	81,266	7,867,203
Expenses:			
Personnel	3,052,156	0	3,052,156
Supplies	204,060	0	204,060
Copying & printing	25,732	0	25,732
Rent & utilities	281,718	0	281,718
Professional & legal fees	10,790	0	10,790
Program expense	3,155,739	0	3,155,739
Insurance	50,384	0	50,384
Telephone & postage	89,776	0	89,776
Transportation costs	45,910	0	45,910
Travel & training	74,361	0	74,361
In-kind support	420,089	0	420,089
Depreciation	63,310	0	63,310
Miscellaneous	19,311	0	19,311
Total Expenses	7,493,336	0	7,493,336
Increase (Decrease) in Net Assets	292,601	81,266	373,867
Net assets - Beginning of year	273,587	0	273,587
Net assets - End of year	\$566,188	\$81,266	\$647,454

The accompanying notes are an integral part of the financial statements

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

EXHIBIT B

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Current year awards	\$0	\$6,107,052	\$6,107,052
Program income	36,029	0	36,029
Interest income	0	2,436	2,436
In kind contributions	0	514,958	514,958
Fundraising	1,872	0	1,872
Other	278,858	0	278,858
Net assets released from restriction through satisfaction of program restrictions	6,624,446	(6,624,446)	0
Total Revenue	6,941,205	0	6,941,205
Expenses:			
Personnel	2,838,722	0	2,838,722
Supplies	166,546	0	166,546
Copying & printing	24,537	0	24,537
Rent & utilities	285,345	0	285,345
Professional & legal fees	15,060	0	15,060
Program expense	2,662,945	0	2,662,945
Insurance	69,708	0	69,708
Telephone & postage	91,401	0	91,401
Transportation costs	46,739	0	46,739
Travel & training	78,607	0	78,607
In-kind support	514,958	0	514,958
Depreciation	37,653	0	37,653
Miscellaneous	13,050	0	13,050
Total Expenses	6,845,271	0	6,845,271
Increase (Decrease) in Net Assets	95,934	0	95,934
Net assets - Beginning of year	177,653	0	177,653
Net assets - End of year	\$273,587	\$0	\$273,587

The accompanying notes are an integral part of the financial statements

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

EXHIBIT C

STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31, 2007	December 31, 2006
<u>CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$373,867	\$95,934
Depreciation	63,310	37,653
Donated building included in contributions	(330,000)	0
(Gain) on sale of assets	0	(3,131)
(Increase) decrease in:		
Accounts receivable	(14,410)	74,677
Prepaid insurance	9,697	(2,710)
Prepaid expense	0	25,518
Increase (decrease) in:		
Accounts payable	(42,865)	(163,539)
Accruals	14,219	(14,668)
Due to other funds/ fund sources	40,402	(45,367)
	114,220	4,367
<u>CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Purchase of equipment	(6,899)	(156,440)
Proceeds from sale of assets	0	3,131
	(6,899)	(153,309)
<u>CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES:</u>		
Payments on long-term debt	0	0
	107,321	(148,942)
Net increase (decrease) in Cash		
Cash - Beginning of Year	170,061	319,003
Cash - End of Year	\$277,382	\$170,061
	\$0	\$566
Cash paid for interest		
Cash paid for income taxes	\$0	\$0

The accompanying notes are an integral part of the financial statements.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Community & Family Services, Inc., a Community Action Agency, was established as a not-for-profit corporation to service the residents of Northeastern Indiana. Presently the agency serves the six counties of Adams, Blackford, Huntington, Jay, Randolph and Wells. The Agency is governed by a volunteer board of directors composed of representatives of the low-income, representatives of organizations, and County Commissioners or their representatives of each county. Advisory and policy councils serve to guide the various programs administered by the agency. The primary goal of Community & Family Services, Inc. is to enable economically and socially disadvantaged people achieve self-sufficiency and become less dependent on public assistance. Programs and services offered by Community & Family Services, Inc. provide opportunities for almost all age groups, particularly those who are low-income and meet program guidelines.

The services of the corporation are extended to the economically disadvantaged in the counties of Adams, Blackford, Huntington, Jay, Randolph and Wells through offices located in the various counties. The headquarters of the corporation is located in Portland, Indiana.

Basis of Presentation

The basic financial statements are prepared using the accrual basis of accounting.

The organization reports information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The classification of temporarily restricted net assets includes grant awards as the grant funds are restricted to specific programs/expenses as defined in the awards. Also included in temporarily restricted net assets is program income that is generated as part of the grant activity. When expenses are incurred against grant funds and related program income, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, expenses, and changes in net assets as net assets released from restriction.

Cash and Cash Equivalents

The Organization defines its cash and cash equivalents to include cash on hand, demand deposits and investments with original maturities of three months or less, with essentially no market risk.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Concentration of Credit Risk

The Organization's cash is deposited with one financial institution. Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of insured limits were approximately \$295,503 and \$331,116 at December 31, 2007 and 2006, respectively.

Inventory

Minor materials and supplies are charged to expense during the period of purchase. Inventory is recognized for these items in the financial schedules at its actual cost of remaining supplies at year end.

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful life of the asset. Community & Family Services, Inc. considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - INCOME TAXES:

Community & Family Services, Inc. is a private, non-profit corporation, incorporated under the Indiana General Not-for-Profit Corporation Act and is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code. It is also exempt from Indiana franchise or income tax.

NOTE C - QUESTIONED COSTS:

There were no questioned costs for the year ended December 31, 2007.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE D - GRANTS RECEIVABLE & ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES:

The grants receivable represent amounts the agency has filed claims for the year end and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is nil. Therefore, no allowance is considered necessary.

NOTE E - REVENUES:

In Kind Contributions

Community & Family Services, Inc. has recorded in kind contributions for professional services on the statement of activities in accordance with Financial Accounting Standards No. 116 (FAS 116), *Accounting for Contributions Received and Contributions Made*. FAS 116 requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of FAS 116 are different than the in kind requirements of Community & Family Services, Inc. grant awards. Community & Family Services, Inc. received contributions of nonprofessional volunteers during the years ended December 31, 2007 and 2006 with a value of \$65,225 and \$90,330, respectively, primarily for its Head Start program which are not recorded on the statement of activities.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to Community & Family Services, Inc. that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support.

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 as unrestricted net assets and reported in the statements of activities as released from restrictions.

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.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional.

Grants are recorded as contributions based on criteria contained in the grant award.

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE E - REVENUES: (continued)

Program Income

The amount due from various sources is recognized as revenue in the accounting period when the administrative support and outreach services are provided.

Interest Income

Interest income is recognized in the accounting period when it is earned. Community & Family Services, Inc. maintains funds received from various sources in interest bearing checking accounts. The portion of interest earned on advances of direct funds is remitted to the federal funding sources in accordance with OMB Circular A-110, Attachment D, Uniform Administrative Requirements of Grants and Agreement with Nonprofit Organizations. The interest earned on other funds is included in unrestricted funds and is used to support Community & Family Services, Inc. programs. This is in accordance with the Intergovernmental Cooperation Act (31 U.S.C. 6501 etc seq) and applicable State of Indiana regulations.

NOTE F - COST ALLOCATION:

Joint costs are allocated to benefitting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel

Agency administrative and financial personnel (executive director, deputy director, fiscal director, financial assistants, etc.) record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charges to programs.

Supplies

All supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis.

Building

Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated based upon the allocation of the administrative staff's time.

Copy Costs

A record is maintained of copies made for each program. Copy costs are charged to programs based on the number of copies in the month.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE F - COST ALLOCATION: (continued)

Insurance

Insurance is allocated to benefitting programs depending on the equipment, space or people covered by the insurance.

Other Joint Costs

Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based on the amounts used by each program.

NOTE G - LEASES:

Community & Family Services, Inc. has several operating leases for office space and equipment. The payments under these leases range from \$60 to \$2,000 per month and expire at various times. Future minimum lease payments at December 31, 2007 under non-cancelable operating leases with initial terms of more than one year are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$ 50,177
2009	37,113
2010	26,280
2011	19,560
2012	9,000
Thereafter	<u>-</u>
Total Future Payments	<u>\$142,130</u>

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE H - PROPERTY AND EQUIPMENT:

In 1989, the Agency purchased an office and training center for its Employment and Training division, which is no longer affiliated with Community & Family Services, Inc.. This facility was renovated and placed in service in 1990 at a total cost of approximately \$378,000. Also in 1990, Community & Family Services, Inc. purchased a house, to be used as a homeless shelter, at a cost of \$24,000.

In 2007, a building was donated to the Agency with an appraised value of \$330,000. The building is currently being used by the Agency to run it's Headstart program in Huntington, Indiana. The building donation was reported as unrestricted support at its estimated fair value.

With the office and training center no longer in service, the Indiana Workforce Development has agreed to the terms of sale for the 521 South Wayne Street property, if ever sold. Should this property be sold, a 33% reversionary interest would be due the State of Indiana.

Property and equipment consists of the following at December 31:

	2007	2006
Buildings	\$ 732,546	\$ 402,545
Equipment	647,733	640,835
	1,380,279	1,043,380
Less: Accumulated depreciation	(867,963)	(804,653)
Total	\$ 512,316	\$ 238,727

NOTE I - CONTINGENCY:

Community & Family Services, Inc. is substantially funded by grants and contracts awarded directly and indirectly by the Federal government and the state of Indiana. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funding reduced if the unit of government does not appropriate any or adequate funds to maintain the current funding levels. Any deferred income or excess funds on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date.

COMMUNITY & FAMILY SERVICES, INC.
Notes to Financial Statements

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES:

The following program and supporting services are reflected in the statement of activities for the year ended December 31, 2007:

Program activity:	
Child care and education	\$3,188,471
Weatherization	469,463
Energy assistance	1,997,711
Housing	558,789
Other programs	<u>1,228,184</u>
Total program activities	7,442,618
Support services:	
Management and general	<u>50,718</u>
Total expenses	<u>\$7,493,336</u>

NOTE K - EMPLOYEE BENEFIT PLANS:

Community and Family Services, Inc. maintains a Section 403(b) Salary Deferral Plan for their employees. Employees can generally defer a portion of their gross salary into the plan, not to exceed \$15,500 for 2007 and \$15,000 for 2006. The employer did not make any contributions for the year ended December 31, 2007 and 2006.

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

SUPPLEMENTARY INFORMATION

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

SCHEDULES OF PROGRAM ACTIVITY
For the Years Ended December 31, 2007 and 2006

	Program Services										2006 Total		
	Energy Assistance	D.O.E. WX	LIHEAP Weatherization	SWEET Weatherization	Head Start	W.I.C.	Section 8	CCDF	Other Programs	Management and General		Subtotal	GAAP Adjustments
Revenue:													
Current year awards	\$277,283	\$209,464	\$222,957	\$36,592	\$2,099,927	\$456,480	\$637,636	\$208,764	\$595,738	\$322,679	\$7,065,669	\$0	\$7,065,669
Program income	0	0	0	0	0	0	0	0	41,934	0	41,854	0	41,854
Interest income	0	0	0	0	0	0	0	0	1,396	1,711	3,107	0	3,107
In kind contributions	0	0	0	0	485,314	0	0	0	0	0	485,314	(65,225)	420,089
Fundraising	0	0	0	0	0	0	0	0	1,300	0	1,300	0	1,300
Other	151,326	90	360	0	3,211	0	2,419	0	134,411	43,725	335,184	0	335,184
Total Revenue	428,609	1,997,711	223,317	36,592	2,588,452	456,480	640,055	208,764	774,779	368,115	7,932,428	(65,225)	7,867,203
Expenses:													
Personnel	372,084	122,815	83,002	23,582	1,703,681	380,558	37,321	27,541	62,294	19,241	3,052,156	0	3,052,156
Supplies	11,274	5,471	4,544	61	74,261	8,109	2,135	181	55,417	21,502	204,060	0	204,060
Copying & printing	1,352	452	446	34	11,287	1,783	1,186	989	3,776	0	25,732	0	25,732
Rent & utilities	21,214	8,239	7,947	0	101,681	37,855	5,550	5,420	80,873	0	281,718	0	281,718
Professional & legal fees	432	0	535	156	3,062	796	431	272	613	2,000	10,790	0	10,790
Program expense	0	1,723,727	113,568	11,787	63,966	968	507,082	166,813	521,878	0	3,162,638	(6,899)	3,155,739
Insurance	826	10,333	4,260	0	25,883	2,540	115	211	926	4,703	50,384	0	50,384
Telephone & postage	6,486	10,114	2,856	304	27,444	14,848	3,464	5,385	14,226	1,672	89,776	0	89,776
Transportation costs	0	0	3,765	0	37,501	0	0	7	13	0	45,910	0	45,910
Travel & training	8,568	1,744	2,394	668	47,770	8,064	1,496	1,940	(523)	0	74,361	0	74,361
In-kind support	0	0	0	0	485,314	0	0	0	0	0	485,314	(65,225)	420,089
Depreciation	0	0	0	0	6,602	959	0	0	0	0	63,310	0	63,310
Miscellaneous	6,373	42	0	0	0	0	0	0	3,671	1,600	19,311	0	19,311
Total expenses	428,609	1,997,711	223,317	36,592	2,588,452	456,480	588,789	208,764	743,164	50,718	7,502,150	(8,814)	7,493,336
Change in net assets													
Net assets - Beginning of year	0	0	0	0	0	0	81,266	0	31,615	317,397	430,278	(58,411)	373,867
	0	0	0	0	0	0	0	0	(20,231)	129,945	109,714	163,873	273,587
Net Assets - End of year	\$0	\$0	\$0	\$0	\$0	\$0	\$81,266	\$0	\$11,384	\$447,342	\$539,992	\$107,462	\$647,454
													\$273,587

The accompanying notes are an integral part of the financial statements

COMMUNITY & FAMILY SERVICES, INC.
Schedule of Findings and Questioned Costs
YEAR ENDED DECEMBER 31, 2007

SECTION I--SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Reportable condition(s) identified
 not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes X no
 Reportable condition(s) identified
 not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance
 for major programs: unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Headstart
14.857	Section 8 Housing
10.577	Women Infants Children

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

SECTION II--FINANCIAL STATEMENT FINDINGS

No matters reported

SECTION III--FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported

COMMUNITY & FAMILY SERVICES, INC.
Portland, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

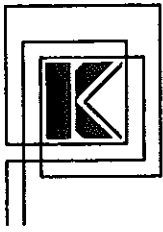
For the Year Ended December 31, 2007

<u>CFDA NUMBER</u>	<u>PROGRAM NAME</u>	<u>GRANTOR/ AGENCY</u>	<u>GRANT REVENUE</u>	<u>EXPENDITURES</u>
14.857	Section 8 Housing	IHCDA	\$637,636	\$637,636
10.577	Women, Infants, Children	Indiana Department of Health	456,480	456,480
93.600	Head Start	U.S Department of Health and Human Services	<u>2,099,927</u>	<u>2,099,927</u>
	Total Major Program Federal Assistance		<u>3,194,043</u>	<u>3,194,043</u>
93.569	Community Services Block Grant	IHCDA	428,609	428,609
93.994	Child & Adult Care Food Program	U.S. Department of Agriculture	169,278	169,278
93.568	LIHEAP	IHCDA	222,957	222,957
93.568	EAP	IHCDA	1,998,149	1,998,149
93.568	SWEEP	IHCDA	36,592	36,592
14.228	Community Development Block Grant (MHR)	IHCDA	38,512	38,512
81.042	DOE Weatherization	Department of Energy	209,464	209,464
97.024	Emergency Food and Shelter	Department of Homeland Security (FEMA)	60,264	60,264
93.596	Child Care Development Fund	IHCDA	208,764	208,764
14.231	Emergency Shelter	IHCDA	<u>13,151</u>	<u>13,151</u>
	Total Non-major Program Federal Assistance		<u>3,385,740</u>	<u>3,385,740</u>
	Total Federal Assistance		<u>\$6,579,783</u>	<u>\$6,579,783</u>

See accountants' report on schedule of expenditures of federal awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community & Family Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Krueger & Associates, CPA's, LLC

1845 Newton Street • Jasper, Indiana 47546 • (812) 482-4454 • (812) 482-4459 Fax

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

To the Board of Directors of
Community & Family Services, Inc.

We have audited the financial statements of Community & Family Services, Inc. as of and for the year ended December 31, 2007 and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community & Family 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

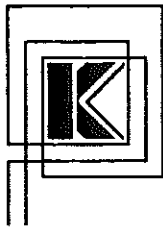
As part of obtaining reasonable assurance about whether Community & Family Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Krueger & Associates, CPAs, LLC

Certified Public Accountants

Jasper, IN
August 29, 2008



Krueger & Associates, CPA's, LLC

1845 Newton Street • Jasper, Indiana 47546 • (812) 482-4454 • (812) 482-4459 Fax

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Community & Family Services, Inc.

Compliance

We have audited the compliance of Community & Family Services, Inc. (a nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. Community & Family Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community & Family Services, Inc.'s management. Our responsibility is to express an opinion on Community & Family Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community & Family Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community & Family Services, Inc.'s compliance with those requirements.

In our opinion, Community & Family Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

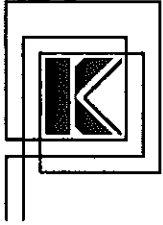
The management of Community & Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community & Family Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error and fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Jasper, IN
August 29, 2008



Krueger & Associates, CPA's, LLC

1845 Newton Street • Jasper, Indiana 47546 • (812) 482-4454 • (812) 482-4459 Fax

MANAGEMENT LETTER

August 29, 2008

To the Senior Management and
The Board of Directors of
Community & Family Services, Inc.

In planning and performing our audit of the financial statements of Community & Family Services, Inc. for the year ended December 31, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal control.

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 these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Executive Director, fiscal officer's and their departments for their support and assistance during our audit.

This report is intended solely for the information and the use of the 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.

Krueger & Associates, CPA's, LLC
Certified Public Accountants

Jasper, IN