



STATE OF INDIANA
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June 30, 2009

Board of Directors
Family Services and Prevention Programs, Inc.
2021 South Riley Highway
Shelbyville, IN 46176

We have reviewed the audit report prepared by McOuat Brawley & Associates, LLC, Independent Public Accountants, for the period July 1, 2005 to June 30, 2006. 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 Family Services and Prevention Programs, Inc., as of June 30, 2006, 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.

STATE BOARD OF ACCOUNTS

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.

Financial Statements

June 30, 2006

*McQuat
Brayley &
Associates LLC*

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.

June 30, 2006

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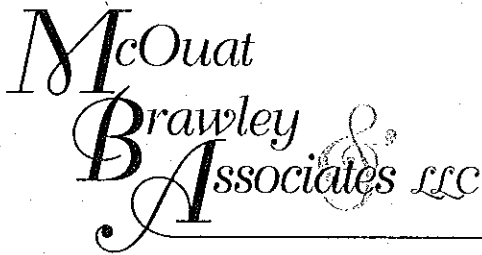
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Gordon McOuat, CPA
Jerry Brawley, CPA

GREENWOOD, IN
SAN FRANCISCO, CA

The Board of Directors
Family Services and Prevention Programs, Inc.
Shelbyville, IN

We have audited the accompanying statement of financial position of Family Services and Prevention Programs, Inc. (the Agency) as of June 30, 2006, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the Agency as of June 30, 2006, and the changes in net assets and cash flows for the year 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 September 19, 2006, on our consideration of the Agency's internal control over financial reporting and our tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants.

McOuat Brawley & Associates LLC

Greenwood, Indiana
September 19, 2006

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENTS OF FINANCIAL POSITION

June 30, 2006

(With comparative totals for 2005)

ASSETS

	Totals	
	2006	2005
Current Assets		
Cash and cash equivalents	\$ 9,275	4,366
Receivables	109,980	113,436
Other current assets	5,197	8,290
Total Current Assets	<u>124,452</u>	<u>126,092</u>
Noncurrent Assets		
Property and equipment, net	<u>12,055</u>	<u>15,679</u>
Total Noncurrent Assets	<u>12,055</u>	<u>15,679</u>
Total Assets	<u>\$ 136,507</u>	<u>141,771</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 10,672	16,906
Accrued expenses	67,349	106,561
Total Current Liabilities	78,021	123,467
Net assets	<u>58,486</u>	<u>18,304</u>
Total liabilities and net assets	<u>\$ 136,507</u>	<u>141,771</u>

See accompanying auditors' report and notes to financial statements.

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Associates LLC

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF ACTIVITIES

Year ended June 30, 2006

(With comparative totals for 2005)

	Totals	
	2006	2005
INCOME		
Child Welfare Services	\$ 22,541	23,487
DMHA	105,421	99,290
Healthy Families	625,134	730,627
IAPP	26,100	24,835
Blue River		1,000
OFC	64,989	37,119
Title IV	123,605	32,335
Drug Free Coalition	3,164	9,540
KTF	26,505	27,900
Program fees	12,957	9,600
In-Kind income	108,644	50,305
Contributions	3,862	1,798
Fundraising	12,340	10,403
SIDS Center of Indiana		250
	<hr/>	
Total support and revenue	1,135,262	1,058,489
EXPENSES		
Program services:		
3-6	107,625	106,042
Healthy Families	655,410	660,692
IAPP		11,588
Nurturing	148,281	103,156
	<hr/>	
Total program services	911,316	881,478
Supporting services:		
Fundraising	29,423	12,528
Management and general	154,341	170,521
	<hr/>	
Total supporting services	183,764	183,049
	<hr/>	
Total expenses	1,095,080	1,064,527
	<hr/>	
Increase (decrease) in net assets	40,182	(6,038)
NET ASSETS		
Beginning of year	18,304	24,342
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End of year	\$ 58,486	18,304

See accompanying auditors' report and notes to financial statements.

*McOul
Brawley &
Associates LLC*

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF CASH FLOWS

Year ended June 30, 2006
(With comparative totals for 2005)

	Totals	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 40,182	(6,038)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	4,724	4,741
 (Increase) decrease in operating assets:		
Receivables	3,456	(36,615)
Other current assets	3,093	(2,732)
 Increase (decrease) in operating liabilities:		
Accounts payable	(6,234)	16,906
Accrued expenses	(39,212)	1,706
 Net cash provided by operating activities	<u>6,009</u>	<u>(22,032)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,100)	(17,032)
 Net cash used in investing activities	<u>(1,100)</u>	<u>(17,032)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Line-of-credit	536,783	262,200
Repayments of Line-of-credit	(536,783)	(262,200)
 Net cash from financing activities	<u> </u>	<u> </u>
 (Decrease) in cash	4,909	(39,064)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,366</u>	<u>43,430</u>
End of year	<u>\$ 9,275</u>	<u>4,366</u>

See accompanying auditors' report and notes to financial statements.

*McOut
Brawley &
Associates LLC*

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2006

(With comparative totals for 2005)

	3-6	Healthy Families	Nurturing	Total Program Expenses	Fundraising and General	Management and General	Total Supporting Services	Totals	2005
Payroll expenses	\$ 54,344	385,870	116,962	557,176	15,176	116,787	131,963	689,139	698,224
Employee benefits	3,658	46,010	1,330	50,998	32	10,163	10,195	61,193	65,857
Retirement plan	884	6,274	1,902	9,060		2,145	2,145	11,205	10,880
In-kind expenses	11,673	87,714	8,068	107,455	1,189		1,189	108,644	50,305
Utilities	849	7,224	427	8,500		941	941	9,441	8,438
Rent	5,747	48,847	2,873	57,467		6,385	6,385	63,852	62,448
Telephone and Postage	745	4,395	307	5,447	760		760	6,207	6,052
Contract labor	6,303	10,747	708	17,758	6,040	16,650	22,690	40,448	61,664
Materials and supplies	11,374	14,206	1,611	27,191	1,380	1,270	2,650	29,841	33,289
Equipment leases and repairs	1,886	12,045	2,528	16,459				16,459	14,900
Travel	8,352	19,315	10,692	38,359	198		198	38,557	31,324
Staff training	256	694	18	968				968	6,137
Insurance	912	8,053	509	9,474				9,474	8,192
Fundraising	170		110	280	1,836		1,836	2,116	838
Other expenses					2,812		2,812	2,812	1,238
Depreciation	472	4,016	236	4,724				4,724	4,741
Total expenses	\$ 107,625	655,410	148,281	911,316	29,423	154,341	183,764	1,095,080	1,064,527



See accompanying auditors' report and notes to financial statements.

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

1. Summary of Significant Accounting Policies

Organization

Family Services and Prevention Programs, Inc. (referred to as the Agency) was incorporated in November, 1985. The Agency is an Indiana not-for-profit voluntary health agency dedicated to providing services designed to strengthen the family unit and prevent abuse in Shelby and adjacent counties. The Agency acknowledges and embraces prevention and early intervention as the best methods to prevent abuse. The Agency believes that the best hope for the normal development of all children lies within the family unit. The Agency relies on public donations, government and private grants for its funding.

Basis of Accounting

The financial statements are prepared on the accrual basis.

Financial statement presentation

The Agency reports information in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS requires, among other things, that the statements report items regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. In addition, the Agency presents a statement of cash flows.

The costs of providing the various programs and other activities of the Agency have been summarized on a functional basis in the statement of activities and functional expenses. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by using consistent allocation percentages which management believes reflect actual time spent by employees or benefits received from expenditures.

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.

Property and Equipment

Property and equipment purchased by the Agency is recorded at cost, if purchased. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Tax-exempt Status

The Agency has received a determination letter from the Internal Revenue Service notifying it that it is not a private foundation and that it meets the requirements necessary for it to be exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Agency is exempt from Indiana state taxes. Accordingly, no provision for federal or state income taxes has been recorded.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Donated Materials and Services:

Donated services are recognized as contributions in accordance with SFAS 116, *Accounting for Contributions Received and Contributions Made*, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. A substantial number of unpaid volunteers have made significant contributions of time to the Agency. Amounts for these contributed services are not reflected in the accompanying financial statements since the criteria for SFAS 116 are not met. Donated materials are reported at fair market value at the date the contribution is received.

Allocation of Joint Costs and Functional Expenses

Numerous cost items benefit more than one of the Agency's major functions. Costs are allocated to a specific function to the extent that they can be associated directly to that function. Salaries and other indirect costs are allocated to functions based on time spent on the function by Agency employees. The costs of providing the Agency's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets, and in detail on the statements of functional expenses.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Agency 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.

2. SIMPLE Plan

The Agency sponsors a SIMPLE retirement plan in which the Agency matches eligible employee contributions up to 3% of wages. SIMPLE expense totaled \$ 11,205 and \$ 10,873 for the years ended June 30, 2006 and 2005, respectively.

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.

Notes to Financial Statements

3. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Vehicles and equipment	\$ 42,582	41,482
Less: accumulated depreciation	<u>(30,527)</u>	<u>(25,803)</u>
Property and equipment, net	\$ <u>12,055</u>	<u>15,679</u>

Depreciation expense totaled \$4,724 and \$4,741 for the years ended June 30, 2006 and 2005, respectively.

4. Operating Leases

The Agency leases its office space and a copier under various noncancellable operating leases. Future minimum lease payments are as follows:

2007	\$ 65,678
2008	64,308
2009	63,852
2010	63,852
2011	<u>10,642</u>
Total	<u>\$268,332</u>

Although the building lease is noncancellable, the lease contract acknowledges the fact that the Agency's funding could change (see Note 4, below). The lease allows the Agency to terminate the contract without any penalty or other landlord remedies if funding changes. The lease only requires the Agency to notify the landlord as soon as possible. Rent expense for the totaled \$63,852 and \$62,448 for the years ended June 30, 2006 and 2005, respectively.

5. Concentration of Funding Sources

The Agency received \$1,010,416 and \$995,983 of its unrestricted funding from the Family and Social Services Administration and other governmental sources during the years ended June 30, 2006 and 2005, respectively. These sources represent 89% and 94% of total unrestricted funding received during fiscal 2006 and 2005. The availability of these funds depends on Federal, State and local spending priorities. Therefore, funding for these programs may or may not exist in future years.

6. Line of Credit

The Agency has established and has available a \$75,000 line of credit with a variable interest rate. The Agency uses this financing tool throughout the year in order to fund operations while awaiting payment for services from various government agencies. The balance outstanding at June 30, 2006 and 2005 was \$0.