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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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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 Gordon R. McOuat, CPA, Independent Public Accountant, for the period July 1, 2007 to June 30, 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 Family Services and Prevention Programs, Inc., as of June 30, 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.

STATE BOARD OF ACCOUNTS

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.

Financial Statements

June 30, 2008

Gordon R. McOuat
Certified Public Accountant

FAMILY SERVICES AND PREVENTION PROGRAMS, INC.
June 30, 2008

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Gordon R. McOuat
Certified Public Accountant

GORDON R. McOUAT CERTIFIED PUBLIC ACCOUNTANT

The Board of Directors
Family Services and Prevention Programs, Inc.
Shelbyville, IN 46176

We have audited the accompanying statements of financial position of Family Services and Prevention Programs, Inc. (the Agency) as of June 30, 2008, 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, 2008, 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.

G. R. McOuat CPA

Greenwood, Indiana
November 14, 2008

432 South Emerson Avenue, Suite 60 Greenwood, Indiana 46143 317.882.3821

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENTS OF FINANCIAL POSITION
June 30, 2008
(With comparative totals for 2007)

ASSETS

		Totals 2008	Totals 2007
Current Assets			
Cash and cash equivalents	$	88,190	42,430
Receivables		55,000	76,083
Other current assets		3,577	4,631
Total Current Assets		146,767	123,144
Noncurrent Assets			
Property and equipment, net		297,358	9,129
Total Noncurrent Assets		297,358	9,129
Total Assets	$	444,125	132,273

LIABILITIES AND NET ASSETS

		2008	2007
Current Liabilities			
Accounts payable	$	9,592	12,474
Current portion of long term debt		4,911	
Accrued expenses		31,348	62,675
Total Current Liabilities		45,851	75,149
Long Term Liabilities-Mortgage payable		291,448	
Total Liabilities		337,299	75,149
Net assets		106,826	57,124
Total liabilities and net assets	$	444,125	132,273

See accompanying auditors' report and notes to financial statements.

Gordon R. McOuat
Certified Public Accountant

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

(With comparative totals for 2007)

	Totals 2008	2007
INCOME		
Child Welfare Services	$	19,975
DMHA	106,800	104,425
Healthy Families	651,690	670,039
IAPP	4,062	25,802
Program fees	13,530	21,856
In-Kind income	31,242	50,050
Contributions	5,788	3,647
Fundraising	4,354	18,534
Total support and revenue	817,466	914,328
EXPENSES		
Program services:		
3-6	117,840	109,572
Healthy Families	559,889	650,220
Nurturing		61,763
Total program services	677,729	821,555
Supporting services:		
Fundraising	4,685	24,896
Management and general	85,350	69,239
Total supporting services	90,035	94,135
Total expenses	767,764	915,690
Increase (decrease) in net assets	49,702	(1,362)
NET ASSETS		
Beginning of year	57,124	58,486
End of year	$ 106,826	57,124

See accompanying auditors' report and notes to financial statements.

Gordon R. McOuat
Certified Public Accountant

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF CASH FLOWS
Year Ended June 30, 2008
(With comparative totals for 2007)

		Totals 2008	Totals 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase (decrease) in net assets	$	49,702	(1,362)
Adjustments to reconcile increase in net assets to net cash provided by operating activities			
Depreciation		6,646	3,522
(Increase) decrease in operating assets:			
Receivables		21,083	33,897
Other current assets		1,054	566
Increase (decrease) in operating liabilities:			
Accounts payable		(2,882)	1,802
Accrued expenses		(31,327)	(4,674)
Net cash provided by operating activities		44,276	33,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(294,875)	(596)
Net cash used in investing activities		(294,875)	(596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from mortgage and Line-of-credit		352,679	536,783
Repayments principal and Line-of-credit		(56,320)	(536,783)
Net cash from financing activities		296,359	
(Decrease) in cash		45,760	33,155
CASH AND CASH EQUIVALENTS			
Beginning of year		42,430	9,275
End of year	$	88,190	42,430

See accompanying auditors' report and notes to financial statements.

Gordon R. McOuat
Certified Public Accountant

FAMILY SERVICES AND PREVENTION PROGRAMS, INC

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008
(With comparative totals for 2007)

	3-6	Healthy Families	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Totals 2008	Totals 2007
Wages and salaries	$ 60,290	336,190	396,480	1,000	51,586	52,586	449,066	556,043
Payroll taxes	4,946	27,578	32,524	82	4,232	4,314	36,838	42,011
Employee benefits	7,832	43,672	51,504	130	6,701	6,831	58,335	50,406
Retirement plan	1,221	6,807	8,028	20	1,044	1,064	9,092	10,772
In-kind expenses	2,415	24,758	27,173		4,069	4,069	31,242	50,050
Utilities	899	6,513	7,412		899	899	8,311	8,990
Facility	446	3,563	4,009		446	446	4,455	
Rent	1,596	12,771	14,367		1,596	1,596	15,963	63,852
Telephone	679	3,462	4,141		234	234	4,375	4,228
Postage	382	851	1,233		268	268	1,501	3,135
Contract labor	11,302	27,473	38,775		7,589	7,589	46,364	40,323
Materials and supplies	12,471	7,308	19,779		1,715	1,715	21,494	28,604
Equipment leases and repairs	981	7,851	8,832		981	981	9,813	15,936
Travel	8,035	18,378	26,413		71	71	26,484	24,359
Staff training	425	964	1,389				1,389	1,526
Interest	2,055	16,437	18,492		2,055	2,055	20,547	1,043
Insurance	1,201	9,698	10,899		1,200	1,200	12,099	2,320
Fundraising				3,453		3,453	3,453	3,725
Other expenses		297	297				297	4,835
Depreciation	664	5,318	5,982		664	664	6,646	3,522
Total expenses	$ 117,840	559,889	677,729	4,685	85,350	90,035	767,764	915,680
Percentage of total expenses	15.35	72.92	88.27	0.61	11.12	11.73	100.00	

See accompanying auditors' report and notes to financial statements.

Gordon R. McOuat
Certified Public Accountant

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

 Continued

Notes to Financial Statements
June 30, 2008

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 $ 9,091 and $ 10,772 for the years ended June 30, 2008 and 2007, respectively.

 Continued

Notes to Financial Statements
June 30, 2008

3. Property and Equipment

Property and equipment consist of the following at June 30:

Furniture and Equipment	$ 42,582	43,178
Building and improvements	250,471	
Land	45,000	
	338,053	43,178
Less: Accumulated depreciation	40,695	34,049
Net property and equipment	$ 297,358	9,129

Depreciation expense totaled $6,646 and $3,522 for the years ended June 30, 2008 and 2007, respectively.

4. Operating Leases

The Agency leased its building under a noncancellable operating lease. Although the building lease is noncancellable, the lease contract acknowledges the fact that the Agency's funding could change . 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 totaled $63,852 and $63,852 for the years ended June 30, 2008 and 2007, respectively.

The Agency suffered a significant loss of funding. Therefore, the Agency exercised its termination clause,

5. Concentration of Funding Sources

The Agency received $758,490 and $820,241 of its unrestricted funding from the Family and Social Services Administration and other governmental sources during the years ended June 30, 2007 and 2006, respectively. These sources represent 93% and 90% of total unrestricted funding received during fiscal 2007 and 2006, respectively. 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. Interest paid during 2008 totaled $244. Interest paid during 2007 totaled $1,053. The balance outstanding at June 30, 2008 and 2007 was $0.

Notes to Financial Statements
June 30, 2008

7. Long-Term Debt

Long term debt consists of the following at June 30:	2007	2006
Note payable to bank, due in monthly installments of $2,332, with annual interest at 7.74%. Loan is secured by the building.	$ 296,359	$
Less: Current portion	4,911	
Total long-term debt	$ 291,448	$

Future scheduled maturities of long-term debt are as follows:

Years ending June 30:	
2009	$ 4,911
2010	5,619
2011	6,070
2012	6,557
2013	7,082
Thereafter	266,120
	$ 296,359