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June 30, 2009

Board of Directors  
Healthy Communities Initiative  
of St. Joseph County, Inc.  
401 E. Colfax, Ste. 310  
South Bend, IN 46617

We have reviewed the audit report prepared by Jurgonski & Fredlake, CPAs, 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 Healthy Communities Initiative of St. Joseph County, 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.

STATE BOARD OF ACCOUNTS

**HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.**

**FINANCIAL REPORT**

December 31, 2007 and 2006

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Healthy Communities Initiative of St. Joseph County, Inc.  
South Bend, Indiana

We have audited the accompanying statement of financial position of Healthy Communities Initiative of St. Joseph County, Inc. (a not for profit Organization) (the Organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows 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. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated March 16, 2007, we expressed an unqualified opinion on those financial statements.

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 Healthy Communities Initiative of St. Joseph County, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Jurgonski & Fredlake CPAs*

South Bend, Indiana  
May 22, 2008

**HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2007 and 2006

<b>ASSETS</b>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 302,788	\$ 190,183
Accounts receivable	15,148	5,900
Grants receivable	15,688	3,500
Prepaid expenses	<u>1,174</u>	<u>16,456</u>
Total current assets	<u>334,798</u>	<u>216,039</u>
<b>EQUIPMENT</b>		
Equipment	32,352	32,352
Less accumulated depreciation	<u>(32,352)</u>	<u>(25,065)</u>
Net equipment	<u>          </u>	<u>7,287</u>
Total assets	<u>\$ 334,798</u>	<u>\$ 223,326</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Grants advances	\$ 295,680	\$ 42,380
Accounts payable	7,449	52,152
Accrued liabilities	<u>4,144</u>	<u>15,276</u>
Total current liabilities	<u>307,273</u>	<u>109,808</u>
<b>NET ASSETS</b>		
Unrestricted	<u>27,525</u>	<u>113,518</u>
Total net assets	<u>27,525</u>	<u>113,518</u>
Total liabilities and net assets	<u>\$ 334,798</u>	<u>\$ 223,326</u>

HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2007 and 2006

	2007		2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE:</b>				
Governmental grants	\$ 333,659	\$	\$ 656,016	\$
Contributions	2,449	2,449	69,469	69,469
Fundraising events	128,746	128,746	4,423	4,423
Interest	7,188	7,188	3,624	3,624
Other revenue	21,375	21,375	7,454	7,454
Net asset released from restrictions:			7,033	(7,033)
Satisfaction of purpose restrictions				(7,033)
Total support and revenue	493,417	493,417	748,019	740,986
<b>EXPENSES:</b>				
Program services				
STQP Community	216,149	216,149	170,025	170,025
DFCC	54,106	54,106	204,744	204,744
SPF/SIG	60,629	60,629	272,010	272,010
HCAP	19,218	19,218	33,836	33,836
HUB	16,641	16,641		
Mission based programs	126,917	126,917		
Total program service expenses	493,660	493,660	680,615	680,615
Management and general	85,750	85,750	54,744	54,744
Total expenses	579,410	579,410	735,359	735,359
Change in net assets	(85,993)	(85,993)	12,660	(7,033)
Net assets, beginning of year	113,518	113,518	100,858	107,891
Net assets, end of year	\$ 27,525	\$	\$ 113,518	\$
				\$ 113,518

HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2007  
(with Comparative Totals for 2006)

	STQP Community	DFCC	SPF/SIG	HCAP	HUB	Mission Based Programs	Management and General	2007 Total	2006 Total
Salaries and related expenses	\$ 128,982	\$ 42,339	\$ 47,168	\$ 13,394	\$ 13,027	\$ 33,668	\$ 50,176	\$ 328,754	\$ 378,896
Rent/occupancy	14,239	5,532	5,778	1,594	1,278	2,694	8,276	39,391	49,383
Contract labor	24,891			3,565			24	3,589	121,776
Subcontracted services	770	94	727		199	109	7,864	24,891	19,123
Insurance	26,212	405	1,393			33,443		9,763	33,908
Other program expenses	1,326				1,530	53,253		61,453	34,820
Fundraising events	7,032	1,484	3,978	124	287	357	18	56,109	2,993
Travel and training	1,261	2,091	555	72	86	1,506	707	13,280	24,394
Meeting expenses	2,170					250		6,278	6,503
Public relations/communication	2,033						134	2,420	17,103
Equipment	1,880	1,018	516	80	105	386	4	2,167	5,050
Office supplies	422	278	46	269	9	745	108	3,989	9,190
Postage and shipping	819	97	185	16	73	51	413	1,877	2,435
Miscellaneous	35							1,654	963
Dues and subscriptions	1,769	112	87	50	7	68		35	1,948
Computer support/maintenance	380	118	173	54	40	74	193	2,093	1,400
Payroll processing	1,859	519	23			306	2,512	1,032	989
Accounting							225	5,219	14,486
Bad debt expense							2,768	225	2,294
Interest expense							5,041	2,768	
Website maintenance	69	19				7		5,136	1,234
<b>Total expenses before depreciation</b>	<b>216,149</b>	<b>54,106</b>	<b>60,629</b>	<b>19,218</b>	<b>16,641</b>	<b>126,917</b>	<b>78,463</b>	<b>572,123</b>	<b>728,888</b>
Depreciation							7,287	7,287	6,471
<b>Total expenses</b>	<b>\$ 216,149</b>	<b>\$ 54,106</b>	<b>\$ 60,629</b>	<b>\$ 19,218</b>	<b>\$ 16,641</b>	<b>\$ 126,917</b>	<b>\$ 85,750</b>	<b>\$ 579,410</b>	<b>\$ 735,359</b>

# HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2007 and 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (85,993)	\$ 5,627
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	7,287	6,471
<b>CHANGE IN ASSETS (INCREASE) DECREASE:</b>		
Accounts receivable	(9,248)	(5,900)
Grants receivable	(12,188)	73,015
Prepaid expenses	15,282	9,776
<b>CHANGE IN LIABILITIES INCREASE (DECREASE):</b>		
Grants advances	253,300	42,380
Accounts payable	(44,703)	29,099
Accrued liabilities	(11,132)	4,588
Total adjustments	198,598	159,429
Net cash provided by operating activities	112,605	165,056
Net increase in cash	112,605	165,056
Cash at beginning of year	190,183	25,127
<b>Cash at end of year</b>	<b>\$ 302,788</b>	<b>\$ 190,183</b>

# HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies

#### Nature of Activities:

Healthy Communities Initiative of St. Joseph County, Inc. (the Organization) is a not for profit organization whose primary goal is to improve the health status and quality of life of St. Joseph County, Indiana residents. The mission of the Organization is to develop, implement, foster and encourage collaborative community initiatives to address community problems through community solutions. Funding is provided from community, governmental and private support.

#### Significant Accounting Policies:

**Basis of Accounting** – The Organization's operations are accounted for on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** – Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in 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.

**Contributions** - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Contributed Services** – A number of unpaid volunteers have made significant contributions of their time to the Organization. During the year ended December 31, 2007 and 2006, the value of contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under Statement of Financial Accounting Standards (SFAS) No. 116.

**Grants Receivable** – The Organization receives some grants for reimbursement of expenses incurred. A receivable for the reimbursement of allowable program expenditures due from grantors has been recorded at December 31, 2007 and 2006. No allowance for uncollectible grants has been recorded.

**Accounts Receivable** – Accounts receivable are recorded at the amount the Organization expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not collectible. No allowance for doubtful accounts has been recorded.

HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 1. Nature of Activities and Significant Accounting Policies: (continued)**

**Equipment** – Equipment received as a donation is recorded at fair market value as of the date received. These donations of equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment that is purchased with governmental grant funds is owned jointly by the Organization and the funding source while used in the program for which it was purchased or in other future authorized programs. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source and other regulatory directives.

Purchased equipment is stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

**Income Taxes** - The Organization is a not for profit entity, exempt from Federal and State income taxes, pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar section of the Indiana State Law.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service expense.

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

**Note 2. Retirement Plan**

The Organization participates in a 403(b) defined contribution retirement program. Employees are eligible to contribute to the plan after they have attained 21 years of age and have been employed for 30 days by the Organization. The Organization makes contributions on behalf of employees after they have been employed one year. The contribution rate is 7.5% of the employee's gross compensation. Retirement plan expense was \$19,037 and \$17,882 for the years ended December 31, 2007 and 2006, respectively.

**Note 3. Occupancy Agreement**

The Organization and the Chamber of Commerce (the Chamber) entered into a month to month occupancy agreement, which outlines the joint occupancy, operations and administrative functions of the Organization and the Chamber. In general, the services that the Chamber will provide for the Organization includes the use of office space, office furniture and conference rooms owned by the Chamber for a monthly fee of \$2,508. The rent expense was \$30,096 each for the years ended December 31, 2007 and 2006, respectively.

HEALTHY COMMUNITIES INITIATIVE OF ST. JOSEPH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 4. Support from Major Funding Sources/Concentrations of Credit Risk**

The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

The Organization places its cash with a high credit quality financial institution. However, the amount of credit exposure to the financial institution at times is in excess of the insurance limits established by law or \$100,000.

**Note 5. Grants Advances**

The Organization has entered into contractual agreements with various federal and state agencies, to act as the administrator and service provider for a variety of programs. Under the terms of the agreements, the Organization is reimbursed for program expenses. The Organization has agreements with various subcontractors to provide portions of the program in exchange for reimbursement of program expenses. Advances on the contracts of \$295,680 and \$42,380 at December 31, 2007 and 2006, represent funding received by the Organization in advance.

**Note 6. Contributions in Kind**

The Organization received contributions in kind for the Drug Free Community Council. For the year ended December 31, 2006, the Organization received \$6,550 in rent and \$7,000 for public relations. These contributions are included in the statement of activities. Fair market value was utilized in determining the contributions received.

The Organization did not receive any material contributions in kind for the year ended December 31, 2007 that met the requirements of SFAS No. 116.

**Note 7. Fundraising**

The Organization received total support from fundraising events totaling \$128,746 and \$4,423 and expenses of \$56,109 and \$2,993 for the years ended December 31, 2007 and 2006, respectively.