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August 19, 2009

Board of Directors
Human Services Inc. and Subsidiary
1585 Indianapolis, Rd., P.O. Box 588
Columbus, IN 47202

We have reviewed the audit report prepared by Comer, Nowling and Associates, PC, 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 Human Services Inc. and Subsidiary, 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



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report

Board of Directors
Human Services, Inc. And Subsidiary
Columbus, Indiana

We have audited the accompanying consolidated statements of financial position of Human Services, Inc. and Subsidiary as of December 31, 2007 and 2006 and the related consolidated statements of activities, functional expenses, 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 audits.

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 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 Human Services, Inc. and Subsidiary as of December 31, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2008 on our consideration of Human Services, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on 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

HUMAN SERVICES, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash	11
Consolidated Notes to Financial	13
 SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	26
Note to Schedule of Expenditures of Federal Awards.....	28
Summary Schedule of Prior Audit Findings.....	29
Report on Internal Control over Financial Reporting and On Compliance And Other Matters Required by <i>Government Auditing Standards</i>	30
Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance Required By OMB Circular A-133.....	32
Schedule of Findings and Questioned Costs.....	34

audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

July 15, 2008

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS

	Human Services, Inc.			2007 Subsidiary	2007 Consolidated
	Unrestricted	Temporarily Restricted	2007 Total		
CURRENT ASSETS					
Cash	\$ 789,061	\$ -	\$ 789,061	\$ 40,240	\$ 829,301
Investments	1,447	-	1,447	-	1,447
Investments - affiliate projects	-	-	-	185,088	185,088
Grants receivable	843,554	-	843,554	-	843,554
Other receivables	-	-	-	500	500
Notes receivable - current portion	328,269	-	328,269	20,389	348,658
Inventory	19,662	-	19,662	-	19,662
Prepaid expenses	29,173	-	29,173	-	29,173
Total current assets	<u>2,011,166</u>	<u>-</u>	<u>2,011,166</u>	<u>246,217</u>	<u>2,257,383</u>
PROPERTY AND EQUIPMENT					
Buildings	899,279	490,000	1,389,279	-	1,389,279
Equipment	1,019,221	-	1,019,221	-	1,019,221
Land	90,000	-	90,000	-	90,000
	<u>2,008,500</u>	<u>490,000</u>	<u>2,498,500</u>	<u>-</u>	<u>2,498,500</u>
Less accumulated depreciation	<u>(1,063,042)</u>	<u>-</u>	<u>(1,063,042)</u>	<u>-</u>	<u>(1,063,042)</u>
Total property and equipment, net	<u>945,458</u>	<u>490,000</u>	<u>1,435,458</u>	<u>-</u>	<u>1,435,458</u>
OTHER ASSETS					
Notes receivable - net of current portion	<u>2,894,364</u>	<u>-</u>	<u>2,894,364</u>	<u>-</u>	<u>2,894,364</u>
Total assets	<u>\$ 5,850,988</u>	<u>\$ 490,000</u>	<u>\$ 6,340,988</u>	<u>\$ 246,217</u>	<u>\$ 6,587,205</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 1,267,331	\$ -	\$ 1,267,331	\$ -	\$ 1,267,331
Accrued salaries and wages	68,278	-	68,278	-	68,278
Accrued payroll taxes	31,394	-	31,394	-	31,394
Accrued income taxes	-	-	-	1,599	1,599
Advances payable	192,526	-	192,526	2,931	195,457
Current portion of long-term liabilities	<u>378,687</u>	<u>-</u>	<u>378,687</u>	<u>-</u>	<u>378,687</u>
Total current liabilities	<u>1,938,216</u>	<u>-</u>	<u>1,938,216</u>	<u>4,530</u>	<u>1,942,746</u>
LONG-TERM LIABILITIES					
Irwin Union - term loan	13,511	-	13,511	-	13,511
Lincoln Bank - term loan	88,916	-	88,916	-	88,916
Affiliates - term loans	<u>2,894,364</u>	<u>-</u>	<u>2,894,364</u>	<u>-</u>	<u>2,894,364</u>
Total long-term liabilities	<u>2,996,791</u>	<u>-</u>	<u>2,996,791</u>	<u>-</u>	<u>2,996,791</u>
Total liabilities	<u>4,935,007</u>	<u>-</u>	<u>4,935,007</u>	<u>4,530</u>	<u>4,939,537</u>
NET ASSETS					
Total liabilities and net assets	<u>\$ 915,981</u>	<u>490,000</u>	<u>1,405,981</u>	<u>241,687</u>	<u>1,647,668</u>
	<u>\$ 5,850,988</u>	<u>\$ 490,000</u>	<u>\$ 6,340,988</u>	<u>\$ 246,217</u>	<u>\$ 6,587,205</u>

See accompanying notes to financial statements.

Human Services, Inc.

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>2006 Subsidiary</u>	<u>2006 Consolidated</u>
\$ 545,321	\$ -	\$ 545,321	\$ 37,634	\$ 582,955
1,704	-	1,704	-	1,704
-	-	-	185,302	185,302
937,063	-	937,063	-	937,063
-	-	-	-	-
350,446	-	350,446	20,389	370,835
18,664	-	18,664	-	18,664
38,693	-	38,693	-	38,693
<u>1,891,891</u>	<u>-</u>	<u>1,891,891</u>	<u>243,325</u>	<u>2,135,216</u>
926,379	490,000	1,416,379	-	1,416,379
900,046	-	900,046	-	900,046
97,900	-	97,900	-	97,900
<u>1,924,325</u>	<u>490,000</u>	<u>2,414,325</u>	<u>-</u>	<u>2,414,325</u>
<u>(966,286)</u>	<u>-</u>	<u>(966,286)</u>	<u>-</u>	<u>(966,286)</u>
<u>958,039</u>	<u>490,000</u>	<u>1,448,039</u>	<u>-</u>	<u>1,448,039</u>
<u>2,859,364</u>	<u>-</u>	<u>2,859,364</u>	<u>-</u>	<u>2,859,364</u>
<u>\$ 5,709,294</u>	<u>\$ 490,000</u>	<u>\$ 6,199,294</u>	<u>\$ 243,325</u>	<u>\$ 6,442,619</u>
\$ 1,067,231	\$ -	\$ 1,067,231	\$ 7,805	\$ 1,075,036
61,347	-	61,347	-	61,347
41,931	-	41,931	-	41,931
-	-	-	936	936
215,133	-	215,133	-	215,133
397,378	-	397,378	-	397,378
<u>1,783,020</u>	<u>-</u>	<u>1,783,020</u>	<u>8,741</u>	<u>1,791,761</u>
19,477	-	19,477	-	19,477
133,021	-	133,021	-	133,021
2,859,364	-	2,859,364	-	2,859,364
<u>3,011,862</u>	<u>-</u>	<u>3,011,862</u>	<u>-</u>	<u>3,011,862</u>
4,794,882	-	4,794,882	8,741	4,803,623
914,412	490,000	1,404,412	234,584	1,638,996
<u>\$ 5,709,294</u>	<u>\$ 490,000</u>	<u>\$ 6,199,294</u>	<u>\$ 243,325</u>	<u>\$ 6,442,619</u>

**HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Human Services, Inc.				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2007 Subsidiary</u>	<u>2007 Consolidated</u>
REVENUE AND SUPPORT					
Grant revenue	\$ 9,717,648	\$ -	\$ 9,717,648	\$ -	\$ 9,717,648
Contributions	411,848	-	411,848	-	411,848
Rental income	86,674	-	86,674	12,000	98,674
Interest income	710	-	710	-	710
Inkind donations	271,378	-	271,378	-	271,378
Other income	161,162	-	161,162	-	161,162
Total support	<u>10,649,420</u>	<u>-</u>	<u>10,649,420</u>	<u>12,000</u>	<u>10,661,420</u>
Operating Expenses:					
CSBG	346,160	-	346,160	-	346,160
Energy assistance	2,596,535	-	2,596,535	-	2,596,535
Weatherization	390,328	-	390,328	-	390,328
Head Start and USDA	2,868,487	-	2,868,487	-	2,868,487
Commodities	61,002	-	61,002	-	61,002
CCDF	196,300	-	196,300	-	196,300
Other programs	4,090,592	-	4,090,592	-	4,090,592
Management and general	98,447	-	98,447	-	98,447
Subsidiary	-	-	-	4,897	4,897
Total operating expenses	<u>10,647,851</u>	<u>-</u>	<u>10,647,851</u>	<u>4,897</u>	<u>10,652,748</u>
Increase (decrease) in net assets	<u>1,569</u>	<u>-</u>	<u>1,569</u>	<u>7,103</u>	<u>8,672</u>
NET ASSETS AT BEGINNING OF YEAR	<u>914,412</u>	<u>490,000</u>	<u>1,404,412</u>	<u>234,584</u>	<u>1,638,996</u>
NET ASSETS AT END OF YEAR	<u>\$ 915,981</u>	<u>\$ 490,000</u>	<u>\$ 1,405,981</u>	<u>\$ 241,687</u>	<u>\$ 1,647,668</u>

See accompanying notes to financial statements.

Human Services, Inc.

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>2006 Subsidiary</u>	<u>2006 Consolidated</u>
\$ 8,388,836	-	\$ 8,388,836	\$ -	\$ 8,388,836
317,314	-	317,314	-	317,314
86,391	-	86,391	22,500	108,891
453	-	453	33	486
349,591	-	349,591	-	349,591
206,155	-	206,155	-	206,155
9,348,740	-	9,348,740	22,533	9,371,273
359,054	-	359,054	-	359,054
2,242,573	-	2,242,573	-	2,242,573
503,971	-	503,971	-	503,971
2,959,523	-	2,959,523	-	2,959,523
47,599	-	47,599	-	47,599
193,838	-	193,838	-	193,838
2,715,667	-	2,715,667	-	2,715,667
271,022	-	271,022	-	271,022
-	-	-	10,894	10,894
9,293,247	-	9,293,247	10,894	9,304,141
55,493	-	55,493	11,639	67,132
858,919	490,000	1,348,919	222,945	1,571,864
\$ 914,412	\$ 490,000	\$ 1,404,412	\$ 234,584	\$ 1,638,996

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	CSBG	Energy Assistance	Weatherization	Head Start and USDA
OPERATING EXPENSES:				
Salaries and wages	\$ 180,881	\$ 141,767	\$ 166,200	\$ 1,486,874
Payroll taxes	20,464	16,116	34,796	191,002
Employee benefits	27,202	20,099	27,611	321,610
Employee related expenses	7,927	194	12	2,159
Professional fees	3,245	1,891	8,486	31,822
Supplies	12,444	55,198	14,092	214,449
Communications	8,467	8,891	4,410	19,828
Shipping	2,668	2,890	470	2,927
Occupancy cost	15,775	20,181	17,961	261,126
Equipment rental and maintenance	8,037	13,876	9,654	26,192
Printing and publications	1,524	3,404	368	5,631
Travel and transportation	6,686	2,819	23,117	134,099
Conferences and meetings	17,906	2,199	2,187	34,339
Specific assistance to individuals	22,788	2,304,764	73,138	117,029
Membership dues	2,098	171	139	1,252
Income tax expense	-	-	-	-
Insurance and other expenses	8,048	2,075	7,687	18,148
Total expenses reported by function before GAAP adjustments	<u>346,160</u>	<u>2,596,535</u>	<u>390,328</u>	<u>2,868,487</u>
GAAP adjustments:				
Asset capitalization	-	-	-	-
Depreciation	-	-	-	-
Total expenses reported by function after GAAP adjustments	<u>\$ 346,160</u>	<u>\$ 2,596,535</u>	<u>\$ 390,328</u>	<u>\$ 2,868,487</u>

See accompanying notes to financial statements.

						2007
Commodities	CCDF	Other Programs	Management and General	Subsidiary	Consolidated Totals	
\$ 24,754	\$ 57,674	\$ 631,431	\$ 13,136	\$ -	\$ 2,702,717	
2,368	6,564	69,697	1,371	-	342,378	
5,903	9,453	74,322	580	-	486,780	
8	4	744	110	-	11,158	
417	102,713	91,788	98,254	-	338,616	
1,119	1,378	62,122	10	-	360,812	
2,936	2,885	11,542	24	-	58,983	
139	939	7,634	(689)	-	16,978	
10,346	10,395	120,290	611	-	456,685	
6,005	2,247	60,116	-	-	126,127	
231	186	2,330	-	-	13,674	
2,784	706	42,164	738	-	213,113	
12	14	655	-	-	57,312	
1,203	22	2,858,705	-	-	5,377,649	
11	49	669	-	-	4,389	
-	-	-	-	1,761	1,761	
2,766	1,071	56,383	5,973	3,136	105,287	
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61,002	196,300	4,090,592	120,118	4,897	10,674,419	
<hr/>						
-	-	-	(118,426)	-	(118,426)	
-	-	-	96,755	-	96,755	
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<u>\$ 61,002</u>	<u>\$ 196,300</u>	<u>\$ 4,090,592</u>	<u>\$ 98,447</u>	<u>\$ 4,897</u>	<u>\$ 10,652,748</u>	

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	CSBG	Energy Assistance	Weatherization	Head Start and USDA
OPERATING EXPENSES:				
Salaries and wages	\$ 187,308	\$ 202,816	\$ 219,957	\$ 1,467,220
Payroll taxes	20,997	23,717	25,475	187,321
Employee benefits	22,406	21,798	28,458	319,494
Employee related expenses	2,167	418	255	6,176
Professional fees	5,462	3,234	14,274	23,296
Supplies	15,546	39,632	10,847	229,163
Communications	9,301	7,406	4,516	15,424
Shipping	3,794	5,382	582	3,216
Occupancy cost	25,960	21,774	20,726	197,363
Equipment rental and maintenance	5,308	4,009	3,678	46,024
Printing and publications	2,867	752	486	2,055
Travel and transportation	15,497	3,894	22,073	125,651
Conferences and meetings	19,544	3,196	2,029	25,899
Specific assistance to individuals	19,100	1,901,869	139,371	1,184
Membership dues	935	450	139	2,300
Income tax expense	-	-	-	-
Insurance and other expenses	2,862	2,226	11,105	307,737
Total expenses reported by function before GAAP adjustments	<u>359,054</u>	<u>2,242,573</u>	<u>503,971</u>	<u>2,959,523</u>
GAAP adjustments:				
Asset capitalization	-	-	-	-
Depreciation	-	-	-	-
Total expenses reported by function after GAAP adjustments	<u>\$ 359,054</u>	<u>\$ 2,242,573</u>	<u>\$ 503,971</u>	<u>\$ 2,959,523</u>

See accompanying notes to financial statements.

					2006	
Commodities	CCDF	Other Programs	Management and General	Subsidiary	Consolidated Totals	
\$ 9,418	\$ 45,926	\$ 510,107	\$ 2,294	\$ -	\$ 2,645,046	
1,290	5,739	59,652	293	-	324,484	
3,111	9,280	61,227	-	-	465,774	
41	92	606	-	-	9,755	
2,682	100,943	447,230	182,100	9,817	779,221	
1,343	2,136	29,378	152	-	328,197	
2,928	6,802	11,809	-	78	58,186	
276	1,278	3,711	764	33	19,003	
10,806	14,287	86,852	-	-	377,768	
9,495	3,520	16,899	-	-	88,933	
252	154	2,669	-	-	9,235	
1,416	914	17,286	237	-	186,968	
149	353	4,601	-	-	55,771	
1,374	-	1,406,661	878	-	3,470,437	
15	67	568	-	-	4,474	
-	-	-	-	840	-	
3,003	2,347	56,411	25,474	126	411,165	
<hr/>						
47,599	193,838	2,715,667	212,192	10,894	9,234,417	
<hr/>						
-	-	-	(51,971)	-	(51,971)	
-	-	-	110,801	-	110,801	
<hr/>						
\$ 47,599	\$ 193,838	\$ 2,715,667	\$ 271,022	\$ 10,894	\$ 9,293,247	

**HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Human Services, Inc.			2007 Subsidiary	2007 Consolidated
	Unrestricted	Temporarily Restricted	2007 Total		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Increase (decrease) in net assets	\$ 1,569	\$ -	\$ 1,569	7,103	\$ 8,672
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:					
Depreciation	96,755	-	96,755	-	96,755
Increase (decrease) in cash from changes in:					
Grants receivable	93,509	-	93,509	-	93,509
Other receivable	-	-	-	(500)	(500)
Inventory	(998)	-	(998)	-	(998)
Prepaid expenses	9,520	-	9,520	-	9,520
Accounts payable	200,100	-	200,100	(7,805)	192,295
Accrued salaries and wages	6,931	-	6,931	-	6,931
Accrued taxes	(10,537)	-	(10,537)	663	(9,874)
Advances payable	(18,691)	-	(18,691)	2,931	(15,760)
Net cash provided by (used in) operating activities	<u>378,158</u>	<u>-</u>	<u>378,158</u>	<u>2,392</u>	<u>380,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investments - affiliate projects	-	-	-	214	214
Acquisition of property and equipment	(100,656)	-	(100,656)	-	(100,656)
Net cash provided by (used in) investing activities	<u>(100,656)</u>	<u>-</u>	<u>(100,656)</u>	<u>214</u>	<u>(100,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of lines of credit	-	-	-	-	-
Borrowings from term loans	35,000	-	35,000	-	35,000
Repayment of term loans	(68,762)	-	(68,762)	-	(68,762)
Net cash used in financing activities	<u>(33,762)</u>	<u>-</u>	<u>(33,762)</u>	<u>-</u>	<u>(33,762)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	243,740	-	243,740	2,606	246,346
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	545,321	-	545,321	37,634	582,955
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 789,061</u>	<u>\$ -</u>	<u>\$ 789,061</u>	<u>\$ 40,240</u>	<u>\$ 829,301</u>
SUPPLEMENTAL DISCLOSURES:					
Cash paid for:					
Interest	<u>\$ 24,772</u>				

See accompanying notes to financial statements.

Human Services, Inc.				
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>2006 Subsidiary</u>	<u>2006 Consolidated</u>
\$ 55,297	\$ -	\$ 55,297	11,639	\$ 66,936
110,801	-	110,801	-	110,801
176,636	-	176,636	-	176,636
684	-	684	-	684
(7,247)	-	(7,247)	-	(7,247)
(75,578)	-	(75,578)	8,741	(66,837)
(7,348)	-	(7,348)	-	(7,348)
23,157	-	23,157	-	23,157
215,133	-	215,133	-	215,133
491,535	-	491,535	20,380	511,915
-	-	-	89	89
(86,972)	-	(86,972)	-	(86,972)
(86,972)	-	(86,972)	89	(86,883)
-	-	-	-	-
(44,207)	-	(44,207)	-	(44,207)
(44,207)	-	(44,207)	-	(44,207)
360,356	-	360,356	20,469	380,825
184,965	-	184,965	17,165	202,130
<u>\$ 545,321</u>	<u>\$ -</u>	<u>\$ 545,321</u>	<u>\$ 37,634</u>	<u>\$ 582,955</u>
<u>\$ 17,848</u>				

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HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Human Services, Inc. (the "Organization"), and its wholly-owned subsidiary, HSI Properties, Inc. All material intercompany transactions have been eliminated in the consolidation.

NATURE OF ACTIVITIES

Human Services, Inc. was incorporated and commenced operations as a not-for-profit organization on October 20, 1965, under the laws of the State of Indiana. The Organization is committed to helping families and children improve their quality of life in Bartholomew, Brown, Decatur, Jackson, Johnson and Shelby counties in Indiana. On November 26, 1990, Human Services, Inc. formed HSI Properties, Inc. as a wholly owned subsidiary under the laws of the State of Indiana. Currently, HSI Properties, Inc. holds a minority general partner interest in three low-income housing projects and membership in one limited liability company which holds minority general partner interest in one low-income housing project.

BASIS OF ACCOUNTING

The financial statements of the Organization and Subsidiary have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

The Subsidiary recognizes revenue as it is earned and billed.

PROPERTY AND EQUIPMENT

Organization property and equipment are stated at cost and depreciated over estimated useful lives of five to thirty-nine years using the straight-line method. The following is a summary of the lives for each class of asset:

Buildings/leasehold improvements	5 - 39 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

Total depreciation expense for the years ended December 31, 2007 and 2006, was \$96,755 and \$110,801, respectively.

The Subsidiary provides for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiary's general practice to charge maintenance and repairs to expense in the current period. As of December 31, 2007 and 2006, the Subsidiary maintained no property and equipment on its Statement of Financial Position.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Income tax expense for the Subsidiary will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2007 and 2006. For the year ended December 31, 2007, the provision for income taxes consisted of current federal income taxes payable of \$1,200, net of current low-income housing tax credits of \$474, and current state income taxes payable of \$831. For the year ended December 31, 2006, the provision for income taxes consisted of current federal income taxes payable of \$807, net of current low-income housing tax credits of \$467, and current state income taxes payable of \$500.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations 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. For comparability purposes, the Subsidiary's financial statement presentation follows that of the Organization.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

CASH AND CASH EQUIVALENTS

For purposes of the Consolidated Statement of Cash Flows, the Organization and Subsidiary consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CONTRIBUTIONS

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

The classification of investments is generally determined at the date of purchase or donation. Gains and losses on the sale of investments are recognized on a specific identification basis.

Investments consist of corporate stock, are stated at fair value, and are summarized as follows, at December 31, 2007 and 2006:

	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
As of December 31, 2007:			
Wells Fargo & Company Stock	<u>\$ 1,049</u>	<u>\$ 1,447</u>	<u>\$ 398</u>
As of December 31, 2006:			
Wells Fargo & Company Stock	<u>\$ 1,049</u>	<u>\$ 1,704</u>	<u>\$ 655</u>

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred would be reflected as refundable advances in the Consolidated Statement of Financial Position.

INTEREST INCOME

Interest income is recognized in the accounting period in which it is earned. The Organization maintains funds received from various sources in interest bearing checking accounts. The portion of interest 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 Agreements with Non-profit Organizations*. The interest earned on other funds is included in unrestricted funds and is used to support the Organization's programs. This is in accordance with the Intergovernmental Cooperation Act (31 U.S.C. 6501 etc seq) and applicable State of Indiana regulations

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by the same amount. For the years ended December 31, 2007 and 2006, this adjustment amounted to approximately \$376,293 and \$349,591 respectively, and is included in other revenue and support on the Consolidated Statements of Activities.

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires that only contributions of services received that create or enhance a non-financial assets 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 SFAS 116 are different from the in-kind requirements of the Organization's grant funding sources.

Of the \$271,378 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2007, contributed services meeting the requirements of SFAS 116 are \$44,438. In addition, \$61,491 consisting of food, clothing and other goods were donated to the Organization's Horizon House. During 2007, the Organization also received other in-kind contributions totaling \$523,127 related to its Head Start program which includes services from non-professional volunteers during 2007 with an estimated value of \$208,325, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

Of the \$233,913 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2006, contributed services meeting the requirements of SFAS 116 are \$65. In addition, \$49,902 consisting of food, clothing and other goods were donated to the Organization's Horizon House. During 2006, the Organization also received other in-kind contributions totaling \$536,752 related to its Head Start program which includes services from non-professional volunteers during the year with an estimated value of \$237,128. Per the requirements of SFAS 116; the value of these non-professional volunteer hours are not reflected in the Organization's Consolidated Statement of Activities.

DONATED MARKETABLE SECURITIES

Donated marketable securities are presented at their fair market value.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COST ALLOCATION

Joint costs are allocated to benefiting 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 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 for each program. Copy costs are charged to programs based on the number of copies in the month.

Insurance

Insurance is allocated to benefiting 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.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of December 31, 2007:

Checking accounts	\$ 788,861
Petty cash	200
	<u>\$ 789,061</u>

Cash and cash equivalents consist of the following as of December 31, 2006:

Checking accounts	\$ 545,121
Petty cash	200
	<u>\$ 545,321</u>

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE

HSI Properties, Inc. is a wholly owned Subsidiary of the Organization. In addition, HSI Properties owns a minority general partner interest in Oak Hill Apartments I, L.P., Oak Hill Apartments II, L.P., Ridgecrest, L.P., and Pearson Place, L.P. HSI Properties is also a 50% member of Jerman Housing, LLC which owns a minority general partner interest in Jerman Housing, L.P.

The Organization has provided \$235,732 of funds to Oak Hill Apartments, L.P. under the Affordable Housing Program (AHP). Dated May 7, 1997, the note accrues interest annually at a rate of 1% and the balance of all unpaid principal and interest is due on May 1, 2017. The note is collateralized by all of the real estate and land improvements of the partnership. As of December 31, 2007 and 2006, the balance of the note receivable was \$235,732.

The Organization has also provided \$490,132 of funds to Oak Hill Apartments, L.P. under the Home Investment Partnership Program (HOME). Dated September 1, 1997, the note accrues interest at a rate of 1% per annum and the balance of all unpaid principal and interest is due on September 1, 2017. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a mortgage in favor of Irwin Union Bank. As of December 31, 2007 and 2006, the balance of the note receivable was \$490,132.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE (continued)

The Organization has provided \$464,000 to Oak Hill Apartments II, L.P. through the Indiana Housing Finance Authority (IHFA). Dated June 26, 2001, the note bears interest at 2.35% per annum, is payable in semi-annual installments of \$15,209 and matures on June 30, 2008. The mortgage note is collateralized by certain real estate, improvements and an assignment of rents earned by the partnership. As of December 31, 2007 and 2006, the balance of the note was \$328,269 and \$350,446, respectively.

The Organization has also provided \$300,000 to Oak Hill Apartments II, L.P. through the Affordable Housing Program of the Federal Home Loan Bank (FHLB). Dated February 11, 2000, the note requires annual interest payments of 1% to be each December 31, to the extent of available cash flow. The note is collateralized by certain real estate and improvements of the partnership and the balance of all unpaid principal and interest is due on February 11, 2020. As of December 31, 2007 and 2006, the balance of the note receivable was \$300,000.

HSI Properties, Inc. has made operating advances totaling \$20,389 to Oak Hill Apartments II, L.P. which bears interest at a rate of 6% per annum. These advances are unsecured and can only be repaid subject to available cash flow. As of December 31, 2007 and 2006, none of the advances had been repaid and \$20,389 was still receivable.

The Organization has provided \$208,500 to Ridgecrest Limited, L.P. through the HOME program. Dated June 22, 1999, the note bears interest at 5.79% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by a subordinated mortgage on the real estate of the partnership and the balance of all unpaid principal and interest is due on June 22, 2019. As of December 31, 2007 and 2006, \$208,500 was still receivable on the note.

The organization has provided \$360,000 to Jerman Housing, L.P. through the AHP program. Dated July 30, 2003, the note bears interest at 4.17% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2007 and 2006, the balance of the note receivable was \$360,000.

The Organization has also provided \$300,000 to Jerman Housing, L.P. through the AHP program of the FHLB. Dated July 30, 2003, the note bears interest at 4.65% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2007 and 2006, the balance of the note receivable was \$300,000.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE (continued)

The Organization has provided \$500,000 to Pearson Place, L.P. through the AHP program. Dated December 1, 2005, the note bears interest at 5% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2035. As of December 31, 2007 and 2006, the balance of the note receivable was \$500,000.

The Organization has also awarded \$500,000 of funds to Pearson Place, L.P. under the Home Investment Partnership Program (HOME). Dated December 1, 2005, the note accrues interest at a rate of 5% per annum and the balance of all unpaid principal and interest is due on December 31, 2035. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a first and second mortgage. As of December 31, 2007 and 2006, balance on the note was \$500,000 and \$495,000, respectively.

Terms of repayment are identical to the terms of the Organization's related notes payable as described in Note 6. The future maturities of long-term notes receivable are as follows for the years ended December 31,:

2008	\$ 328,269
2009	-0-
2010	-0-
2011	-0-
2012	-0-
Thereafter	<u>2,894,364</u>
	<u>\$ 3,222,633</u>

NOTE 4 - PENSION PLAN

The Organization has a 403(b) Plan (the "Plan") in which employees may participate upon their employment. Participants may contribute up to 20% of their pretax annual compensation to the Plan and the Organization may make discretionary contributions to the Plan on behalf of the employees. The participant is 100% vested immediately for any discretionary contributions and participant contributions. The Organization made no discretionary contributions to the Plan during the year ended December 31, 2007 or 2006.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 5 – LINES OF CREDIT – BANK

The Organization had a \$100,000 line of credit with Irwin Union Bank. Interest was payable at prime plus 1.0% and was secured by grants receivables. At December 31, 2007 and 2006, the balance was zero.

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following as of December 31,:

	<u>2007</u>	<u>2006</u>
Note payable – adjustable rate beginning at 5.0% in December 2003, payable to Irwin Union Bank in monthly installments of \$634 including interest and maturing in August 2010. Interest rate at December 2007 and 2006 was 8.25% and 9.25%.	\$ 19,717	\$ 25,193
Note payable – 7.0% note payable to Lincoln Bank dated October 24, 2005, payable in monthly installments of \$4,360 with interest maturing in October 2010.	133,129	174,237
Note payable – 1% note payable to the Federal Home Loan Bank Affordable Housing Program (AHP) dated May 7, 1999, payable at maturity in May 2017.	235,732	235,732
Note payable – 1% note payable to Irwin Union Bank Home Investment Partnership Program (HOME) dated September 1, 1997, payable at maturity in September 2017	490,132	490,132
Note payable – 2.35% note payable to Indiana Housing Finance Authority HOME program, payable in semi-annual installments of \$15,180 with interest maturing in July 2008.	328,269	350,446
Note payable – 1% note payable to the Federal Home Loan Bank AHP Program dated February 11, 2000, annual interest payments from the available cash flow of the affiliated housing project.	300,000	300,000

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 6 – LONG-TERM DEBT (continued)

	<u>2007</u>	<u>2006</u>
Note payable – 5.79% note payable to the Indiana Housing Finance Authority HOME program dated June 22, 1999, payments of principal and interest from the available cash flow of the affiliated housing project.	208,500	208,500
Note payable – 4.17% note payable to the Indiana Housing Finance Authority AHP Program dated July 30, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	360,000	360,000
Note payable – 4.65% note payable to the Federal Home Loan Bank AHP Program dated July 30, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	300,000	270,000
Note payable – 1% note payable to the Federal Home Loan Bank AHP Program dated December 1, 2005, annual interest payments from the available cash flow of the affiliated housing project.	500,000	-0-
Note payable – 5% note payable to Indiana Housing and Community Development Authority Home Investment Partnership Program (HOME) dated December 1, 2005, payments of principal and interest from the available cash flow of the affiliated housing project.	495,000	-0-

The future maturities of long-term debt are as follows for the years ended December 31,

2008	\$ 378,687
2009	54,218
2010	48,209
2011	-0-
2012	-0-
Thereafter	<u>2,894,364</u>
	<u>\$ 3,375,478</u>

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 7 – OPERATING LEASES

The Organization leases various facilities and equipment for operation of its programs. Rental expense included in the Consolidated Statements Of Activities for the year ended December 31, 2007 and 2006 was approximately \$265,454 and \$244,547, respectively.

Future minimum lease payments for the long-term facility lease are as follows for the years ended December 31,

2008	\$ 77,795
2009	58,439
2010	48,854
2011	-0-
2012	<u>-0-</u>
	<u>\$ 273,081</u>

NOTE 8 – TEMPORARILY RESTRICTED ASSETS

In January 2002, the State of Indiana awarded the Organization a federal Community Development Block Grant (CDBG) on behalf of the United States Department of Housing and Urban Development (HUD) for the purpose of acquiring real estate for use as a Head Start facility in Johnson County, Indiana. The federal grantor has placed restrictions on the use and transfer of this property for five years from the date of the grant. Once the grant restrictions are met the grant amount will be transferred from temporarily restricted assets to unrestricted assets in the Consolidated Statement of Activities.

NOTE 9 -- STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 144

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

HUMAN SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

NOTE 10 — CONTINGENT LIABILITY

A new program, Owner Occupied Rehabilitation, became available to the Organization's clients in 2005. In this program, low income persons can qualify for repairs and improvements of owner occupied residences. The Organization holds a mortgage equal to the amount of the repairs for each participating homeowner. These mortgages are forgivable if the mortgagor owns and occupies the mortgaged premises for at least thirty-six (36) months. As of December 31, 2007, the Organization holds 38 mortgages with a total balance of \$553,313. Allowing credit for those mortgages held for more than one year, makes the prorated balance as of December 31, 2007 equal \$337,660. As of December 31, 2006, the Organization held 38 mortgages with a total balance of \$553,313. Allowing credit for those mortgages held for more than one year, makes the prorated balance as of December 31, 2006 equal \$465,486. While the Organization holds these zero percent forgivable mortgages, the anticipated future collections cannot be determined. Although these mortgages are secured by a lien on the homes, there is a possibility that the Organization may have to repay the governmental funds used under this program if the owner occupants do not occupy the homes for the thirty-six (36) month mandatory period. The final liability, if any, to be paid cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise as a result.

NOTE 11 – SUBSEQUENT EVENT

Subsequent to the report date, the Organization suffered a substantial loss due to flooding in the Columbus, Indiana area. Although property and casualty insurance was maintained, there is a high probability that some uninsured losses occurred. The Organization is not certain on the outcome of these losses at the report date. The final results of the financial impact, if any, on the financial statements of the Organization cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise from this event.

SINGLE AUDIT SECTION

HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Women, Infants & Children	10.557	WIC 375	\$ 305,565
USDA	10.558	USDA 169	<u>203,966</u>
			<u>509,531</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Program			
Continuum of Care	14.235	IN36B402018	106,967
Transitional Housing	14.235	IN36B402010	<u>52,974</u>
			<u>159,941</u>
Passed through the Indiana Housing and Community Development Authority			
HOME OOR	14.219	OR-006-013	317,943
Emergency Shelter Grant Program	14.231	ES-007-049	39,617
Low Income Housing Assistance Program	14.857	SH-006-0002	<u>2,681,951</u>
			<u>3,039,511</u>
U.S. DEPARTMENT OF ENERGY			
Passed through the Indiana Housing and Community Development Authority			
Weatherization Assistance for Low-Income Persons	81.042	WX-007-013	<u>396,198</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program			
Emergency Food and Shelter Program	83.523		<u>53,257</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program			
Head Start Program	93.600	05CH-4176-42	<u>2,451,903</u>
Passed through the Indiana Housing and Community Development Authority			
Low Income Home Energy Assistance	93.568	LI-007-013	2,603,883
Community Development Block Grant	93.569	CS-007-013	<u>346,260</u>
			<u>2,950,143</u>
Passed through the Indiana Family Social Services Administration			
Child Care Development Fund	93.596	03-06-34-1678	<u>129,699</u>

See accompanying note to Schedule of Expenditures of Federal Awards

HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

Passed through the Indiana Finance Housing Authority		360,000
AHP Loan Funds - Jerman Housing, L.P.	14.239	300,000
HOME Loan Funds - Jerman Housing, L.P.	14.239	235,732
AHP Loan Funds - Oak Hill Apartments, L.P.	14.239	490,132
HOME Loan Funds - Oak Hill Apartments, L.P.	14.239	328,269
IHFA Loan Funds - Oak Hill Apartments II, L.P.	14.239	300,000
FHLB Loan Funds - Oak Hill Apartments II, L.P.	14.239	208,500
IHFA Loan Funds - Ridgecrest Limited, L.P.	14.239	500,000
AHP Loan Funds-Pearson Place, L.P.	14.239	500,000
HOME Loan Funds--Pearson Place, L.P.	14.239	<u>3,222,633</u>

TOTAL EXPENDITURES OF FEDERAL AWARDS \$ 12,912,816

See accompanying note to Schedule of Expenditures of Federal Awards

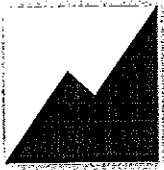
HUMAN SERVICES, INC. AND SUBSIDIARY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2007

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Human Services, Inc. and Subsidiary 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.

**HUMAN SERVICES, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2007**

No findings were noted in the prior year audit report.



COMER
NOWLING AND
ASSOCIATES, P.C.

BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**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
Human Services, Inc.
Columbus, Indiana

We have audited the financial statements of Human Services, Inc. and Subsidiary (a nonprofit organization), as of and for the year ended December 31, 2007, and have issued our report thereon dated July 15, 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 Human 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.

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 combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Human Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

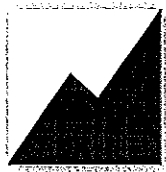
regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Comer, Nowling And Associates, P. C.

Comer, Nowling And Associates, P.C.

July 15, 2008



**COMER
NOWLING AND
ASSOCIATES, P.C.**

BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**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
Human Services, Inc.
Columbus, Indiana

Compliance

We have audited the compliance of Human Services, Inc. and Subsidiary (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 its major federal programs for the year ended December 31, 2007. Human 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 its major federal program is the responsibility of Human Services, Inc.'s management. Our responsibility is to express an opinion on Human 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 Human 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 Human Services, Inc.'s compliance with those requirements.

In our opinion, Human Services, Inc. and Subsidiary complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Human Services, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Human Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the

Project'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.

A control deficiency exists when the design or operation of a control does not allow management or employees within a timely period, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would have a direct and material effect on a major federal program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Human Services, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants such that there is more than a remote likelihood that the Organization's noncompliance that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with applicable requirements of laws, regulations, contracts and grants in relation to a major federal program will not be prevented or detected by the Organization's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
July 15, 2008

**HUMAN SERVICES, INC. AND SUBSIDIARY
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 ___ No x
- Significant deficiencies identified? Yes ___ No x

Noncompliance material to financial statements noted? Yes ___ No x

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes ___ No x
- Significant deficiencies identified? Yes ___ No x

Type of auditors report issued: Unqualified

Any audit findings disclosed required to be reported in
Accordance with Section 510(a) of Circular A-133 Yes ___ No x

Programs tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	U.S. Department of Agriculture, Women, Infants and Children
14.219	Dept. of Housing and Urban Development, Community Development Block Grant
14.235	Dept. of Housing and Urban Development, Continuum of Care
14.239	Dept. of Housing and Urban Development, AHP and HOME Loans
14.857	Dept. of Housing and Urban Development, Section 8 Housing

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

Auditee qualified as low-risk auditee? Yes x No ___

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings

None.