



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35578

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 21, 2010

Board of Directors
Family Service Association
of Howard County, Inc.
and FSA Asset Management, Inc.
618 S. Main St.
Kokomo, IN 46901

We have reviewed the audit report prepared by Rea Logan & Co., LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 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 Service Association of Howard County, Inc. and FSA Asset Management, Inc., as of December 31, 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 SERVICE ASSOCIATION
OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

**FAMILY SERVICE ASSOCIATION
OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position – Exhibit A	2
Statement of Activities – Exhibit B	3
Statement of Functional Expenses – Exhibit C	4
Statement of Cash Flows – Exhibit D	5
Notes to Financial Statements	6-10

SUPPLEMENTAL

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	11-12
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance	13-14
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Schedule of Findings and Questioned Costs	17



Member of American Institute and Indiana CPA Society

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS

**FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC. AND FSA ASSET
MANAGEMENT, INC.**

Kokomo, Indiana

We have audited the accompanying consolidated statement of financial position of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of December 31, 2008 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. as of December 31, 2008 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 30, 2009 on our consideration of Family Service Association of Howard County, Inc.'s internal control over financial reporting and on 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose 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 audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea Logan & Co., LLC

Marion, Indiana

July 30, 2009

P.O. Box 1059 / 202 South Washington Street / Marion, IN 46952 / (765) 664-2366 / Fax: (765) 664-4644

P.O. Box 317 / 54 West Hill Street / Wabash, IN 46992 / (260) 563-1141 / Fax: (260) 563-4627

206 North Grant Street / Peru, IN 46970 / (765) 473-8840 / Fax: (765) 473-8890

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

	<u>ASSETS</u>		<u>Eliminations</u>	<u>Consolidated</u>
	<u>Family Service</u>	<u>Asset Management</u>		
OPERATING ASSETS:				
Cash	\$ 115,235	\$ 31,215	\$ -	\$ 146,450
Accounts receivable - clients	3,981	-	-	3,981
Accounts receivable - CCCS	781	-	-	781
Grants receivable	194,548	-	-	194,548
Prepaid expenses	19,312	-	(7,750)	11,562
	<u>333,857</u>	<u>31,215</u>	<u>(7,750)</u>	<u>357,322</u>
TOTAL Operating Assets				
	<u>333,857</u>	<u>31,215</u>	<u>(7,750)</u>	<u>357,322</u>
FIXED ASSETS:				
Land	-	73,400	-	73,400
Buildings	-	664,484	-	664,484
Furniture and equipment	240,497	-	-	240,497
Leasehold improvements	58,697	-	-	58,697
Vehicle	43,006	-	-	43,006
	<u>342,200</u>	<u>737,884</u>	<u>-</u>	<u>1,080,084</u>
Less accumulated depreciation	<u>217,975</u>	<u>102,485</u>	<u>-</u>	<u>320,460</u>
	<u>124,225</u>	<u>635,399</u>	<u>-</u>	<u>759,624</u>
TOTAL Fixed Assets				
	<u>124,225</u>	<u>635,399</u>	<u>-</u>	<u>759,624</u>
TOTAL ASSETS				
	<u>\$ 458,082</u>	<u>\$ 666,614</u>	<u>\$ (7,750)</u>	<u>\$ 1,116,946</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Accounts payable	\$ 11,780	\$ 10,573	\$ (7,750)	\$ 14,603
Payroll withholdings	736	-	-	736
Accrued wages	7,350	-	-	7,350
Accrued vacation	44,370	-	-	44,370
Funds held for others	7,838	-	-	7,838
Notes and mortgages payable	88,169	581,734	-	669,903
	<u>160,243</u>	<u>592,307</u>	<u>(7,750)</u>	<u>744,800</u>
TOTAL LIABILITIES				
	<u>160,243</u>	<u>592,307</u>	<u>(7,750)</u>	<u>744,800</u>
NET ASSETS:				
Unrestricted:				
Available for operations	98,837	74,307	-	173,144
Building and equipment fund	124,225	-	-	124,225
Temporarily restricted	74,777	-	-	74,777
	<u>297,839</u>	<u>74,307</u>	<u>-</u>	<u>372,146</u>
Total Net Assets				
	<u>297,839</u>	<u>74,307</u>	<u>-</u>	<u>372,146</u>
TOTAL LIABILITIES AND NET ASSETS				
	<u>\$ 458,082</u>	<u>\$ 666,614</u>	<u>\$ (7,750)</u>	<u>\$ 1,116,946</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Family Service Association</u>			Asset	Eliminations	Consolidated
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	Management <u>Unrestricted</u>		
SUPPORT AND REVENUES:						
Public Support:						
United Way	\$ 277,732	\$ -	\$ 277,732	\$ -	\$ -	\$ 277,732
Membership dues	48	-	48	-	-	48
Contributions	85,689	-	85,689	-	-	85,689
Total Public Support	<u>363,469</u>	<u>-</u>	<u>363,469</u>	<u>-</u>	<u>-</u>	<u>363,469</u>
Government support	-	1,267,967	1,267,967	-	-	1,267,967
Other grants and awards	-	109,457	109,457	-	-	109,457
Total Support	<u>-</u>	<u>1,377,424</u>	<u>1,377,424</u>	<u>-</u>	<u>-</u>	<u>1,377,424</u>
Revenues:						
Program service fees	92,152	-	92,152	-	-	92,152
Miscellaneous	8,290	-	8,290	-	-	8,290
Rental income	-	-	-	106,000	(95,250)	10,750
Investment income	2,140	-	2,140	-	-	2,140
Special events	49,864	-	49,864	-	-	49,864
Total Revenues	<u>152,446</u>	<u>-</u>	<u>152,446</u>	<u>106,000</u>	<u>(95,250)</u>	<u>163,196</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	1,354,078	(1,354,078)	-	-	-	-
TOTAL SUPPORT AND REVENUES	<u>1,869,993</u>	<u>23,346</u>	<u>1,893,339</u>	<u>106,000</u>	<u>(95,250)</u>	<u>1,904,089</u>
EXPENSES:						
Program services	1,817,611	-	1,817,611	-	(95,250)	1,722,361
Support services	-	-	-	69,300	-	69,300
TOTAL EXPENSES	<u>1,817,611</u>	<u>-</u>	<u>1,817,611</u>	<u>69,300</u>	<u>(95,250)</u>	<u>1,791,661</u>
CHANGE IN NET ASSETS	52,382	23,346	75,728	36,700	-	112,428
NET ASSETS - Beginning	<u>170,680</u>	<u>51,431</u>	<u>222,111</u>	<u>37,607</u>	<u>-</u>	<u>259,718</u>
NET ASSETS - Ending - Exhibit A	<u>\$ 223,062</u>	<u>\$ 74,777</u>	<u>\$ 297,839</u>	<u>\$ 74,307</u>	<u>\$ -</u>	<u>\$ 372,146</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Family Service Association						
	Domestic Violence	Prevent Child Abuse	Family Educator	Family Life Education	Chores	Individual Counseling	Healthy Families
Salaries	\$ 289,081	\$ -	\$ 79,202	43,925	\$ 93,749	\$ 3,937	\$ 534,683
Payroll taxes	30,633	-	7,419	2,539	10,629	301	53,112
Employee benefits	22,166	8	5,824	568	5,711	-	52,761
Total salaries and related expenses	341,880	8	92,445	47,032	110,089	4,238	640,556
Professional fees	1,285	1,668	-	9,914	-	-	1,080
Supplies	1,446	6,636	512	1,906	276	144	6,178
Direct client expense	9,782	-	22,097	837	-	-	1,848
Telephone	4,168	-	1,777	213	540	-	9,725
Postage	404	292	25	160	139	60	479
Occupancy	54,326	-	4,636	3,268	2,416	-	28,745
Repairs and maintenance	12,346	944	1,878	1,064	1,542	944	9,912
Advertising and printing	1,131	2,014	36	1,057	551	1,793	2,712
Travel	2,530	100	6,284	1,023	12,341	46	14,514
Conference and training	5,519	1,311	180	2,740	110	-	4,802
Insurance	2,193	-	215	-	129	-	1,378
Dues and subscriptions	790	300	-	-	-	-	-
Miscellaneous	2,564	28	248	124	1,369	155	3,059
Payments to affiliates	1,994	-	318	-	583	-	2,712
Contributions	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Small equipment purchases	1,447	450	21	-	32	-	4,168
Bad debts	-	-	-	-	88	-	-
Depreciation	1,464	-	-	87	-	-	9,906
Administrative overhead	49,312	-	10,966	-	18,552	791	89,006
Total expenses	\$ 494,581	\$ 13,751	\$ 141,638	\$ 69,425	\$ 148,757	\$ 8,171	\$ 830,780

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

Family Service Association							
Consumer Credit Counseling	Total Program Services	Management and General	Fund Raising	Totals	Asset Management	Eliminations	Consolidated
\$ 47,553	\$ 1,092,130	\$ 45,991	\$ 16,564	\$ 1,154,685	\$ -	\$ -	\$ 1,154,685
4,927	109,560	5,584	1,542	116,686	-	-	116,686
10,599	97,637	2,215	8	99,860	-	-	99,860
63,079	1,299,327	53,790	18,114	1,371,231	-	-	1,371,231
-	13,947	8,857	-	22,804	-	-	22,804
483	17,581	6,403	3,616	27,600	-	-	27,600
-	34,564	-	-	34,564	-	-	34,564
2,025	18,448	10,168	240	28,856	-	-	28,856
1,827	3,386	2,830	127	6,343	-	-	6,343
7,832	101,223	34,672	-	135,895	-	(95,250)	40,645
2,771	31,401	11,765	59	43,225	1,366	-	44,591
1,346	10,640	6,966	3,786	21,392	-	-	21,392
-	36,838	1,484	712	39,034	-	-	39,034
-	14,662	4,188	4,249	23,099	-	-	23,099
1,237	5,152	954	-	6,106	-	-	6,106
-	1,090	769	-	1,859	-	-	1,859
1,751	9,298	4,593	414	14,305	1,610	-	15,915
371	5,978	-	-	5,978	-	-	5,978
-	-	-	-	-	-	-	-
67	67	6,544	-	6,611	49,712	-	56,323
32	6,150	1,171	-	7,321	-	-	7,321
-	88	-	-	88	-	-	88
2,506	13,963	7,337	-	21,300	16,612	-	37,912
11,146	179,773	(149,842)	(29,931)	-	-	-	-
<u>\$ 96,473</u>	<u>\$ 1,803,576</u>	<u>\$ 12,649</u>	<u>\$ 1,386</u>	<u>\$ 1,817,611</u>	<u>\$ 69,300</u>	<u>\$ (95,250)</u>	<u>\$ 1,791,661</u>

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Family Service</u>	<u>Asset Management</u>	<u>Eliminations</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from contributions, grants, programs and miscellaneous	\$ 1,891,199	\$ 106,000	\$ (95,250)	\$ 1,901,949
Interest received	2,140	-	-	2,140
Interest paid	(6,612)	(49,712)	-	(56,324)
Cash paid to employees and suppliers	<u>(1,852,984)</u>	<u>(2,876)</u>	<u>95,250</u>	<u>(1,760,610)</u>
Net Cash Provided by Operating Activities	<u>33,743</u>	<u>53,412</u>	<u>-</u>	<u>87,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Fixed asset purchases	<u>(73,789)</u>	<u>-</u>	<u>-</u>	<u>(73,789)</u>
Net Cash Provided (Used) by Investing Activities	<u>(73,789)</u>	<u>-</u>	<u>-</u>	<u>(73,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from loan	18,077	-	-	18,077
Payments on loans	<u>(25,253)</u>	<u>(36,718)</u>	<u>-</u>	<u>(61,971)</u>
Net Cash Provided (Used) by Financing Activities	<u>(7,176)</u>	<u>(36,718)</u>	<u>-</u>	<u>(43,894)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	(47,222)	16,694	-	(30,528)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>162,457</u>	<u>14,521</u>	<u>-</u>	<u>176,978</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 115,235</u>	<u>\$ 31,215</u>	<u>\$ -</u>	<u>\$ 146,450</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Change in net assets	\$ 75,728	\$ 36,700	\$ -	\$ 112,428
Depreciation	21,300	16,612	-	37,912
(Increase) decrease in receivables	(65,584)	-	-	(65,584)
(Increase) decrease in prepaid expenses	(2,380)	-	-	(2,380)
Increase (decrease) in payables	(6,882)	100	-	(6,782)
Increase in accrued expenses	10,821	-	-	10,821
Increase in custodial funds	<u>740</u>	<u>-</u>	<u>-</u>	<u>740</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 33,743</u>	<u>\$ 53,412</u>	<u>\$ -</u>	<u>\$ 87,155</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 – Summary of Significant Accounting Policies:

NATURE OF OPERATIONS – Family Service Association of Howard County, Inc. is a nonprofit corporation that provides a nurturing program for parents and children, individual and family counseling, consumer credit counseling, child abuse treatment, a homemaker program for the elderly and disabled, a healthy families program for parents and families of newborns, and a family life education program that provides education courses to promote new skills for individual and family living.

FSA Asset Management, Inc. is a nonprofit corporation organized to manage the real estate where Family Service Association operates its programs.

METHOD OF ACCOUNTING – Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. record income and expenses under the accrual method of accounting and reports based on a calendar year end accounting period. The financial statements report amounts separately by class of net assets:

- a. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the organization's operations and those resources invested in property and equipment.
- b. Temporarily restricted amounts are those which are stipulated by donors and/or grantors for specific operating purposes not yet satisfied at the end of the year.

There are no permanently restricted funds at December 31, 2008.

INCOME TAXES – The Internal Revenue Service has ruled that the Association is exempt from payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code as a corporation organized and operated exclusively for charitable purposes.

The Internal Revenue Service has ruled that the holding company is exempt from payment of federal income tax under the provisions of Section 501(c)(2) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS – The Association considers all checking, savings, and money market accounts and certificates of deposit with original maturities of three months or less to be cash equivalents.

FIXED ASSETS – Fixed assets are recorded at cost or, if donated at estimated fair market value. Such donations 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 property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation is provided on a straight-line method over the useful life ranging from three to forty years. Depreciation expense for the year ended December 31, 2008 was \$37,912. The Association expenses purchases of equipment under \$1,000.

EXPENSE ALLOCATIONS – Expenses not identifiable with a specific functional area are allocated to the separate functions based upon the percentage of program costs to overall costs.

See Independent Auditor's Report.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONT'D.
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 – Summary of Significant Accounting Policies (cont'd):

RECOGNITION OF DONOR RESTRICTIONS – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ACCOUNTS RECEIVABLE – The Association considers accounts receivable to be fully collectible at December 31, 2008; according no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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 the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc. These statements are consolidated since Family Service Association has control of the Organization by requiring that all board members of FSA Asset Management be board members of Family Service Association.

DONATED SERVICES – Many individuals volunteer their time and perform a variety of tasks that assist the organizations with specific assistance programs, campaign solicitations, and various committee assignments. The value of this contributed time is not reflected in the accompanying financial statements since the volunteer’s time does not meet the criteria for recognition.

NOTE 2 – Notes Payable:

The Association has a note payable that is secured by guaranty of FSA Asset Management, Inc. The 60 month note requires payments of \$2,165. Interest rate is 7.75%. The note matures in March, 2012. Balance at December 31, 2008 was \$72,603.

The Association also had a vehicle note payable as of December 31, 2008. The 36 month 0% note requires monthly payments of \$502. The note matures in August, 2011. Balance at December 31, 2008 was \$15,566.

Future minimum principle payments under the notes are as follows:

2009	\$ 24,777
2010	28,662
2011	28,471
2012	<u>6,259</u>
Total	<u>\$ 88,169</u>

Interest expense for these notes for the year ended December 31, 2008 was \$6,611.

See Independent Auditor’s Report.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONT'D.
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 – Leases:

The Association leases various properties from FSA Asset Management, Inc. The aggregate monthly lease payment is \$8,500.

The Association is leasing various office equipment which requires monthly lease payments totaling \$251.

Future minimum lease payments are as follows:

2009	\$ 105,014
2010	105,014
2011	78,940
2012	407

Total rent expense for the year ended December 31, 2008 was \$98,262.

NOTE 4 – Mortgage Payables:

FSA Asset Management, Inc.'s obligation under mortgages payable consists of the following:

8.875% mortgage, payable in monthly installments of \$2,309 including interest through May, 2024, secured by the property. Interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years plus 4%.	\$ 230,017
7.25% mortgage, payable in monthly installments of \$4,893 including interest through January, 2017, secured by the property. Interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years plus 3%.	<u>351,717</u>
	<u><u>\$ 581,734</u></u>

Future minimum principal payments under the note are as follows:

2009	\$ 38,194
2010	44,930
2011	48,442
2012	52,231
2013	56,318
Thereafter	<u>341,619</u>
Total	<u><u>\$ 581,734</u></u>

Interest expense paid for the year ended December 31, 2008 by FSA Asset Management, Inc. was \$49,712.

See Independent Auditor's Report.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONT'D.
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 – Tax Deferred Annuity Plan:

The Association has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Association. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Association provided no matching contribution.

NOTE 6 – Temporarily Restricted Net Assets:

Includes the following:

Domestic Violence Shelter	\$ 2,810
Indiana Tobacco Prevention Cessation Grant	23,166
Gear up for Safety	14,024
Mayor's Substance Abuse	988
Child Abuse Prevention Program	7,520
Strategic Prevention Framework State Incentive Grant	<u>26,269</u>
Total	<u>\$ 74,777</u>

NOTE 7 – Grants:

The agency received funds from the following government agencies for the year ended December 31, 2008:

Howard County Department of Family and Children	\$ 130,316
Indiana Family & Social Services	
Administration - Title IVB Part II	35,937
State Social Services Block Grant	18,840
Supportive Housing Program	13,378
Emergency Shelter Grant	23,449
Indiana Division of Family & Children	91,919
Indiana Division of Mental Health & Addictions	22,575
Indiana Criminal Justice Institute	37,122
Indiana CHOICE Funds	15,241
Older American's Act Title III & Title IIIE Funds	14,002
Indiana Tobacco Prevention & Cessation	38,760
Social Service Block Grant - Title XX Funds	15,643
Healthy Families Indiana - TANF Grant	810,129
FEMA	<u>656</u>
Total	<u>\$ 1,267,967</u>

See Independent Auditor's Report.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONT'D.
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 – Advertising Expense:

The Association's policy is to expense advertising costs as the costs are incurred. Advertising for 2008 was \$21,392.

NOTE 9 – Retirement Plan:

Family Service Association of Howard County, Inc. maintains a defined contribution pension plan. One year of service is required to be eligible for participation. The plan is funded at a percent of salary for the year. For the year ended December 31, 2008, management has decided no plan contribution will be made.

NOTE 10 – Subsequent Events:

In February, 2009 the Association has been named as a defendant in an employment lawsuit. The Association has filed a counterclaim alleging that the allegations in the complaint are frivolous. The Association's legal counsel believes the suit to be frivolous.



Member of American Institute and Indiana CPA Society

**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
FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
Kokomo, Indiana

We have audited the financial statements of Family Service Association of Howard County, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008 and have issued our report thereon dated July 30, 2009. 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 Family Service Association of Howard County, Inc.'s internal control over financial reporting 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 Family Service Association of Howard County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 generally accepted accounting principles, 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service Association of Howard County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 (CONT'D)**

This report is intended solely for the information and use of management, Board of Directors, 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.

Rea Lagan & Co., LLC

Marion, Indiana

July 30, 2009



Member of American Institute and Indiana CPA Society

**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
FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
Kokomo, Indiana

Compliance

We have audited the compliance of Family Service Association of Howard County, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Family Service Association of Howard County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Family Service Association of Howard County, Inc.'s management. Our responsibility is to express an opinion on Family Service Association of Howard County, 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 Family Service Association of Howard County, 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 Family Service Association of Howard County, Inc.'s compliance with those requirements.

In our opinion, Family Service Association of Howard County, Inc. 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, 2008.

Internal Control Over Compliance

The management of Family Service Association of Howard County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Family Service Association of Howard County, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Service Association of Howard County, Inc.'s internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONT'D)**

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity'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 a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, 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.

Rea Logan & Co., LLC

Marion, Indiana

July 30, 2009

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed through from Indiana Family and Social Services Administration, Division of Family and Children:		
Family Violence Prevention & Service Grant	93.671	\$ 44,147
Sexual Offense Service	93.991	7,975
Title Twenty	93.667	34,483
Title IV-B Part II	93.556	35,937
Passed through from Indiana Family and Social Services Administration, Division of Mental Health & Addictions:		
The Strategic Prevention Framework State Incentive Grant	93.243	<u>22,575</u>
Total U.S. Dept of Health and Human Services		<u>145,117</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed through from U.S. Department of Justice, Office of Justice Programs:		
Criminal Justice-Victims of Crime Act Victim Assistance Grant	16.575	37,122
Passed through from Indiana Family and Social Services Administration, Division of Family and Children:		
Healthy Families	16.540	<u>810,129</u>
Total U.S. Department of Justice		<u>847,251</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Supportive Housing Program	14.235	13,378
Passed through from Indiana Family and Social Services Administration, Division of Family and Children:		
Emergency Shelter Grant Program	14.231	<u>23,449</u>
Total U.S. Department of Housing and Urban Development		<u>36,827</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,029,195</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Service Association of Howard County, Inc. and is presented on the accrual basis of accounting. The information in the 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.

FAMILY SERVICE ASSOCIATION OF HOWARD COUNTY, INC.
AND FSA ASSET MANAGEMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Service Association of Howard County, Inc. and FSA Asset Management, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report of 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*
3. No instances of noncompliance material to the financial statements of Family Service Association of Howard County, Inc and FSA Asset Management, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Family Service Association of Howard County, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for Family Service Association of Howard County, Inc.
7. The program tested as major program was Healthy Families Fund - CFDA No. 16.540.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Family Service Association of Howard County, Inc. qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None