B38334

# STATE OF INDIANA

**AN EQUAL OPPORTUNITY EMPLOYER**

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 13, 2011

Board of Directors
Family Centered Services, Inc.
123 S. Marion, P.O. Box 207
Bluffton, IN 46714

We have reviewed the audit report prepared by Bollenbacher & Associates, 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 Centered Services, 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 CENTERED SERVICES, INC.

## FINANCIAL STATEMENTS

For the Years Ended December 31, 2008
and December 31, 2007

# Family Centered Services, Inc.

## Table of Contents

<u>INDEPENDENT AUDITOR'S REPORT</u>

Board of Directors
Family Centered Services, Inc.
Bluffton, Indiana 46714

We have audited the accompanying statement of financial position of Family Centered Services, Inc. (a non-profit organization), as of December 31, 2008 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Organization's 2007 financial statements, which were audited by other accountants, whose report dated February 5, 2008 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements referred to above present fairly, in all material respects, the financial position of Family Centered Services, 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 April 7, 2009, on our consideration of Family Centered Services, 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Family Centered Services, Inc. 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 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.

Bollenbacher & Associates, LLC

Portland, Indiana
April 7, 2009

# Family Centered Services, Inc.

## Statements of Financial Position

## December 31, 2008 and December 31, 2007

### Assets

| | 12/31/08 | 12/31/07 |
|---|---|---|
| **Current Assets:** | | |
| Cash and cash equivalents: | | |
| Unrestricted | $ 126,588 | $ 201,164 |
| Restricted | 7,589 | 9,061 |
| Pledges receivable | 2,525 | 3,350 |
| Grants receivable | 151,164 | 81,175 |
| Prepaid expenses | 11,765 | 15,669 |
| Total current assets | 299,631 | 310,419 |
| **Property and Equipment:** | | |
| Machinery and equipment | 68,984 | 66,105 |
| Less: Accumulated depreciation | (53,209) | (44,549) |
| Total property and equipment | 15,775 | 21,556 |
| **Other Asset:** | | |
| Beneficial interest in assets held by others | 11,216 | 15,761 |
| Total assets | $ 326,622 | $ 347,736 |

- See Accompanying Notes -

Family Centered Services, Inc.

Statements of Financial Position

December 31, 2008 and December 31, 2007

## Liabilities and Net Assets

| | 12/31/08 | 12/31/07 |
|---|---|---|
| **Current Liabilities:** | | |
| Accounts payable | $ 7,625 | $ 2,821 |
| Accrued expenses | 71,815 | 56,464 |
| Total current liabilities | 79,440 | 59,285 |
| **Net Assets:** | | |
| Unrestricted net assets | 228,793 | 268,865 |
| Temporarily restricted net assets | 7,589 | 9,061 |
| Permanently restricted net assets | 10,800 | 10,525 |
| Total net assets | 247,182 | 288,451 |
| Total liabilities and net assets | $ 326,622 | $ 347,736 |

- See Accompanying Notes -

# Family Centered Services, Inc.

## Statements of Activities

## For the Years Ended December 31,2008 and December 31, 2007

| | Unrestricted | Temporarily Restricted |
|---|---|---|
| **Support, Revenue, and Reclassifications:** | | |
| Contributions | $ 41,469 | $ 765 |
| United Way | 18,000 | - |
| Grants - federal | 629,189 | - |
| Grants - state and local | 361,081 | - |
| Fundraising events | 31,032 | - |
| Program services fees | 3,126 | - |
| Interest income | 2,602 | - |
| Gain (loss) on investments | (4,820) | - |
| Net assets released from restrictions and transfers between classes of net assets | 2,237 | (2,237) |
| Total support and revenue | 1,083,916 | (1,472) |
| **Expenses:** | | |
| Program services: | | |
| Families in Transition | 10,638 | - |
| Family Preservation | 370,449 | - |
| Healthy Families | 508,399 | - |
| Parenting | 24,886 | - |
| Other youth programs | 60,931 | - |
| Mentor Moms | 23,271 | - |
| Teen Court | 39,272 | - |
| Faith Based Mentoring | 10,553 | - |
| Host Homes | 28,140 | - |
| Safe Place | 8,994 | - |
| Total program services | 1,085,533 | - |
| Support services: | | |
| General and administrative | 18,860 | - |
| Fundraising | 19,595 | - |
| Total support services | 38,455 | - |
| Total expenses | 1,123,988 | - |

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2008 and December 31, 2007

| Permanently Restricted | Total All Classes 2008 | Total All Classes 2007 |
|---|---|---|
| $ 275 | $ 42,509 | $ 65,670 |
| - | 18,000 | 21,500 |
| - | 629,189 | 599,876 |
| - | 361,081 | 342,138 |
| - | 31,032 | 24,690 |
| - | 3,126 | 2,710 |
| - | 2,602 | 4,160 |
| - | (4,820) | 1,144 |
| - | - | - |
| 275 | 1,082,719 | 1,061,888 |
| - | 10,638 | 11,982 |
| - | 370,449 | 266,228 |
| - | 508,399 | 457,577 |
| - | 24,886 | 21,098 |
| - | 60,931 | 47,876 |
| - | 23,271 | 18,220 |
| - | 39,272 | 37,822 |
| - | 10,553 | 18,824 |
| - | 28,140 | 19,098 |
| - | 8,994 | 9,735 |
| - | 1,085,533 | 908,460 |
| - | 18,860 | 102,312 |
| - | 19,595 | 62,261 |
| - | 38,455 | 164,573 |
| - | 1,123,988 | 1,073,033 |

- See Accompanying Notes -

# Family Centered Services, Inc.

## Statements of Activities

### For the Years Ended December 31, 2008 and December 31, 2007 (continued)

| | Unrestricted | Temporarily Restricted |
|---|---|---|
| Changes in Net Assets | (40,072) | (1,472) |
| Net Assets - Beginning | 268,865 | 9,061 |
| Net Assets - Ending | $ 228,793 | $ 7,589 |

- See Accompanying Notes -

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2008 and December 31, 2007 (continued)

| Permanently Restricted | Total All Classes 2008 | Total All Classes 2007 |
|---|---|---|
| 275 | (41,269) | (11,145) |
| 10,525 | 288,451 | 299,596 |
| $ 10,800 | $ 247,182 | $ 288,451 |

# Family Centered Services, Inc.

## Statements of Functional Expenses

## For the Year Ended December 31, 2008

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Families in Transition | Family Preservation | Healthy Families | Parenting | Other Youth Programs | Mentor Moms | Teen Court |
| Salaries | $ 6,662 | $ 262,961 | $ 353,444 | $ 14,662 | $ 41,877 | $ 16,937 | $ 29,569 |
| Employee benefits | 160 | 21,449 | 34,239 | 475 | 4,004 | 1,528 | 1,921 |
| Payroll taxes | 507 | 20,011 | 27,363 | 1,133 | 3,109 | 1,289 | 2,253 |
| Total salaries and related expenses | 7,329 | 304,421 | 415,046 | 16,270 | 48,990 | 19,754 | 33,743 |
| Occupancy | 127 | 11,079 | 29,740 | 5,811 | 5,186 | 1,186 | 1,186 |
| Travel | 20 | 20,654 | 16,083 | 56 | 89 | 109 | 456 |
| Supplies | 117 | 5,393 | 7,846 | 365 | 512 | 408 | 658 |
| Program expenses | 2,610 | 234 | 5,119 | 1,362 | 3,093 | 420 | 567 |
| Professional fees | 84 | 4,839 | 6,205 | 181 | 388 | 170 | 435 |
| Telephone | 65 | 3,268 | 4,760 | 145 | 768 | 169 | 288 |
| Insurance | 73 | 3,372 | 5,435 | 165 | 249 | 187 | 326 |
| Other | 60 | 1,429 | 2,661 | 167 | 473 | 218 | 541 |
| Training | 4 | 3,743 | 3,311 | 8 | 370 | 154 | 297 |
| Dues and subscriptions | 31 | 1,717 | 2,220 | 48 | 125 | 87 | 155 |
| Postage | 47 | 1,367 | 2,233 | 87 | 322 | 143 | 173 |
| Equipment | 35 | 1,627 | 2,550 | 81 | 136 | 95 | 161 |
| Client assistance | - | 4,375 | 338 | - | - | 4 | - |
| Fundraising | - | - | 21 | - | - | - | - |
| Advertising | 1 | 61 | 208 | 2 | 2 | 3 | 6 |
| Interest | - | - | - | - | - | - | - |
| Loss on disposal of fixed assets | - | - | - | - | - | - | - |
| Total expenses before depreciation | 10,603 | 367,579 | 503,776 | 24,748 | 60,703 | 23,107 | 38,992 |
| Depreciation | 35 | 2,870 | 4,623 | 138 | 228 | 164 | 280 |
| Total expenses | $ 10,638 | $ 370,449 | $ 508,399 | $ 24,886 | $ 60,931 | $ 23,271 | $ 39,272 |

Family Centered Services, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2008
(Continued)

| Program Services | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|
| Faith Based Mentoring | Host Homes | Safe Place | Total Program Services | General and Administrative | Fund Raising | Total Support Services | Total Expenses |
| $ 6,518 | $ 20,742 | $ 5,235 | $ 758,607 | $ 15,177 | $ 10,118 | $ 25,295 | $ 783,902 |
| 753 | 1,178 | 278 | 65,985 | 478 | 318 | 796 | 66,781 |
| 507 | 1,593 | 353 | 58,118 | 906 | 604 | 1,510 | 59,628 |
| 7,778 | 23,513 | 5,866 | 882,710 | 16,561 | 11,040 | 27,601 | 910,311 |
| 888 | 475 | 475 | 56,153 | 1,505 | - | 1,505 | 57,658 |
| 354 | 1,112 | 139 | 39,072 | - | - | - | 39,072 |
| 129 | 431 | 149 | 16,008 | 34 | - | 34 | 16,042 |
| 713 | 270 | 351 | 14,739 | - | - | - | 14,739 |
| 152 | 304 | 60 | 12,818 | 697 | - | 697 | 13,515 |
| 82 | 726 | 54 | 10,325 | - | - | - | 10,325 |
| 86 | 232 | 56 | 10,181 | - | - | - | 10,181 |
| 19 | 111 | 25 | 5,704 | | - | - | 5,704 |
| 43 | 198 | 670 | 8,798 | - | - | - | 8,798 |
| 45 | 124 | 612 | 5,164 | - | - | - | 5,164 |
| 47 | 206 | 25 | 4,650 | 63 | - | 63 | 4,713 |
| 54 | 110 | 29 | 4,878 | - | - | - | 4,878 |
| - | 70 | - | 4,787 | - | - | - | 4,787 |
| - | - | 432 | 453 | - | 8,555 | 8,555 | 9,008 |
| 92 | 57 | 1 | 433 | - | - | - | 433 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 10,482 | 27,939 | 8,944 | 1,076,873 | 18,860 | 19,595 | 38,455 | 1,115,328 |
| 71 | 201 | 50 | 8,660 | - | - | - | 8,660 |
| $ 10,553 | $ 28,140 | $ 8,994 | $ 1,085,533 | $ 18,860 | $ 19,595 | $ 38,455 | $ 1,123,988 |

# Family Centered Services, Inc.

## Statements of Functional Expenses

## For the Year Ended December 31, 2007

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Families in Transition | Family Preservation | Healthy Families | Parenting | Other Youth Programs | Mentor Moms | Teen Court |
| Salaries | $ 7,438 | $ 182,124 | $ 307,311 | $ 13,426 | $ 32,747 | $ 13,411 | $ 23,367 |
| Employee benefits | 245 | 16,168 | 29,145 | 445 | 3,339 | 1,315 | 1,867 |
| Payroll taxes | 568 | 13,908 | 23,476 | 1,088 | 2,480 | 1,052 | 1,788 |
| Total salaries and related expenses | 8,251 | 212,200 | 359,932 | 14,959 | 38,566 | 15,778 | 27,022 |
| Occupancy | 144 | 7,677 | 26,766 | 3,209 | 4,546 | 869 | 869 |
| Travel | 112 | 17,727 | 16,311 | 80 | 223 | 145 | 270 |
| Supplies | 182 | 5,836 | 14,203 | 356 | 863 | 352 | 582 |
| Program expenses | 2,746 | 543 | 10,836 | 1,541 | 1,168 | 71 | 1,021 |
| Professional fees | 76 | 1,688 | 4,540 | 130 | 196 | 153 | 6,413 |
| Telephone | 72 | 2,752 | 3,846 | 132 | 769 | 117 | 235 |
| Insurance | 81 | 2,342 | 3,987 | 149 | 349 | 145 | 257 |
| Other | 37 | 2,919 | 1,844 | 56 | 97 | 49 | 103 |
| Training | 12 | 2,966 | 3,089 | 24 | 112 | 22 | 264 |
| Dues and subscriptions | 67 | 1,248 | 2,375 | 82 | 171 | 91 | 185 |
| Postage | 60 | 1,365 | 2,277 | 87 | 254 | 89 | 142 |
| Equipment | 36 | 1,046 | 1,767 | 62 | 147 | 63 | 112 |
| Client assistance | - | 2,231 | 430 | - | - | - | - |
| Fundraising | - | - | - | - | - | - | - |
| Advertising | 5 | 601 | 342 | 12 | 28 | 57 | 20 |
| Interest | - | - | - | - | - | - | - |
| Loss on disposal of fixed assets | - | - | - | - | - | - | - |
| Total expenses before depreciation | 11,881 | 263,141 | 452,545 | 20,879 | 47,489 | 18,001 | 37,495 |
| Depreciation | 101 | 3,087 | 5,032 | 219 | 387 | 219 | 327 |
| Total expenses | $ 11,982 | $ 266,228 | $ 457,577 | $ 21,098 | $ 47,876 | $ 18,220 | $ 37,822 |

# Family Centered Services, Inc.

## Statements of Functional Expenses

### For the Year Ended December 31, 2007
### (Continued)

| Program Services | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|
| Faith Based Mentoring | Host Homes | Safe Place | Total Program Services | General and Administrative | Fund Raising | Total Support Services | Total Expenses |
| $ 12,666 | $ 13,736 | $ 5,779 | $ 612,005 | $ 79,475 | $ 51,907 | $ 131,382 | $ 743,387 |
| 1,405 | 927 | 527 | 55,383 | 1,125 | 1,038 | 2,163 | 57,546 |
| 969 | 1,051 | 442 | 46,822 | 7,885 | 5,190 | 13,075 | 59,897 |
| 15,040 | 15,714 | 6,748 | 714,210 | 88,485 | 58,135 | 146,620 | 860,830 |
| 809 | 704 | 704 | 46,297 | 502 | - | 502 | 46,799 |
| 769 | 485 | 244 | 36,366 | 203 | - | 203 | 36,569 |
| 350 | 354 | 155 | 23,233 | 2,794 | - | 2,794 | 26,027 |
| 508 | 363 | 880 | 19,677 | 48 | - | 48 | 19,725 |
| 186 | 138 | 44 | 13,564 | 2,000 | - | 2,000 | 15,564 |
| 161 | 511 | 63 | 8,658 | 219 | - | 219 | 8,877 |
| 130 | 153 | 64 | 7,657 | 531 | - | 531 | 8,188 |
| - | 72 | 23 | 5,200 | 2,011 | - | 2,011 | 7,211 |
| 101 | 21 | 29 | 6,640 | 4 | - | 4 | 6,644 |
| 91 | 119 | 626 | 5,055 | 784 | - | 784 | 5,839 |
| 355 | 86 | 38 | 4,753 | 219 | - | 219 | 4,972 |
| 55 | 63 | 26 | 3,377 | 667 | - | 667 | 4,044 |
| - | 85 | - | 2,746 | - | - | - | 2,746 |
| - | - | - | - | - | 4,126 | 4,126 | 4,126 |
| 82 | 58 | 5 | 1,210 | 7 | - | 7 | 1,217 |
| - | - | - | - | 78 | - | 78 | 78 |
| - | - | - | - | 3,335 | - | 3,335 | 3,335 |
| 18,637 | 18,926 | 9,649 | 898,643 | 101,887 | 62,261 | 164,148 | 1,062,791 |
| 187 | 172 | 86 | 9,817 | 425 | - | 425 | 10,242 |
| $ 18,824 | $ 19,098 | $ 9,735 | $ 908,460 | $ 102,312 | $ 62,261 | $ 164,573 | $ 1,073,033 |

# Family Centered Services, Inc.

## Statements of Cash Flows

### For the Years Ended December 31, 2008 and December 31, 2007

| | 2008 | 2007 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Increase (decrease) in net assets | $ (41,269) | $ (11,145) |
| Adjustments to reconcile net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 8,660 | 10,242 |
| (Gain) loss on investments, net | 4,820 | (1,144) |
| Chnge in value of beneficial interest | - | (30) |
| (Gain) loss on disposal of assets | - | 3,335 |
| (Increase) decrease in assets: | | |
| Pledges receivable | 825 | 420 |
| Grants receivable | (69,988) | 7,910 |
| Prepaid expenses | 3,904 | (6,164) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 4,804 | (1,719) |
| Accrued expenses | 15,350 | 8,970 |
| Total adjustments | (31,625) | 21,820 |
| Net cash flow provided by operating activities | (72,894) | 10,675 |
| **Cash Flows from Investing Activities:** | | |
| Payments - Property and equipment purchases | (2,879) | (12,761) |
| Change in restricted cash | 1,472 | (2,021) |
| Net cash flow used by investing activities | (1,407) | (14,782) |
| **Cash Flows from Financing Activities:** | | |
| Payments - Endowment | (275) | (25) |
| Net cash flow from financing activities | (275) | (25) |
| Net increase in cash and cash equivalents | (74,576) | (4,132) |
| Cash and cash equivalents - Beginning | 201,164 | 205,296 |
| Cash and cash equivalents - Ending | $ 126,588 | $ 201,164 |
| **Supplemental Cash Flow Information** | | |
| Interest paid | $ - | $ 78 |

- See Accompanying Notes -

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Family Centered Services, Inc. is an Indiana not-for-profit corporation incorporated in December 28, 1990. Its mission is to provide compassionate, respectful and innovative services which strengthen and support families and their communities. The organization is a voluntary health and welfare organization that provides parenting, mentoring, and youth service programs for families and children in northeast Indiana.

BASIS OF ACCOUNTING AND PRESENTATION - The financial statements are prepared on the accrual basis of accounting and are in conformity with 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. The Organization has presented its net assets according to the requirements of the statement. In addition, the Organization is required to present a Statement of Cash Flows.

Family Centered Services, Inc. also follows SFAS No. 116, Accounting for Contributions Received and Contributions Made, in the years ended December 31, 2008 and December 31, 2007. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

PROMISES-TO-GIVE - Unconditional promises-to-give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises-to-give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

RECEIVABLES AND UNCOLLECTIBLES - Accounts and pledge receivables are recorded at cost at the time of their occurrence and adjusted to fair value through the allowance for doubtful accounts at year end by the Organization determining the amount that may be uncollectible. The Organization does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Organization writes off the receivable and reduces the allowance for doubtful accounts. The Organization usually determines when an account or pledge is totally uncollectible by estimating whether any payments will ever be received on that account or pledge. The Organization wrote off $0 and $0 for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007 there was no allowance for doubtful accounts, as all grants and pledges receivable were deemed collectible.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SUPPORT AND REVENUE - All service revenues are considered to be available for unrestricted use and are recorded as revenue in the period earned.

CONTRIBUTIONS - Contributions, including grants, that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

FIXED ASSETS - Property and equipment are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation is computed using the straight line method over estimated useful lives. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $250 and a useful life on excess of one year. Depreciation expense for the years ended December 31, 2008 and 2007 totaled $8,660 and $10,242, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INVESTMENTS - The Organization records marketable equity securities with readily determinable fair values and all debt securities at their fair market values. Investment gains and losses (both realized and unrealized) are reported in the statement of activities as increases or decreases to unrestricted net assets.

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

INCOME TAXES - Family Centered Services, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, Family Centered Services, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2008 and 2007.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DONATED MATERIALS AND SERVICES - Donated materials and equipment are not reflected in the statements as of December 31, 2008 and 2007 since the amounts received are immaterial. No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services.

ADVERTISING COSTS - Advertising costs are charged to operations as incurred. Advertising expenses in the amount of $433 and $1,217 were incurred by the Organization to promote its programs among the Wells and Huntington County communities for the years ended December 31, 2008 and 2007, respectively.

NOTE 2 - PROGRAM SERVICES

The Family Centered Services, Inc. is a private, not-for-profit agency providing a continuum of services to families and children in need. The Family Centered Services, Inc. is a reality based program in which the most solid foundations are formed from honesty, responsibility, hard work, and education. The Organization offers 12 programs, delivering services to over 1,000 families and youth.

Family Preservation - Its mission is to provide effective services that build, restore, and maintain families. Through counseling, education, and support, families learn to solve their problems and thus reduce their chances of having a child placed out of their homes. With home-based casework, practitioners spend a minimum of one hour weekly in the home of each family. The program is aimed at remedying abuse and neglect.

Families in Transition - Its mission is to help parents understand the importance of working together to minimize the impact of divorce on their children. This is a court-mandated program for both Adams and Wells counties. Its purpose is to focus on ways parents can reduce the effects of the divorce on their children, how to effectively reassure their children as they adjust to the changes in their lives, as well as understand their own feelings of loss and grief.

Healthy Families - Healthy Families is a voluntary program serving both Huntington and Wells counties, whose mission is to promote supportive environments that optimize child growth and development and encourage resilient, healthy families. Healthy Families is an extension of Healthy Families of Indiana and Healthy Families America and is a cooperative effort to ensure families have access to both pre and post-natal services and the additional support they need for a healthy start. The program seeks to service families through systematically identifying overburdened parents and supporting them with intensive home visitation. Services are designed to enhance family functioning, promote positive child development, and promote positive parent-child interaction through building trusting relationships based on family strengths.

NOTE 2 - PROGRAM SERVICES (continued)

Boot Camp for New Dads - Boot Camp is a program aimed to give fathers-to-be the tools they need to take an active role in their child's life. Its mission is to assure every child the opportunity for a caring and capable father beginning at birth. The program prepares expecting dads for their roles and responsibilities as new fathers including the importance of communication and teamwork, supporting the new moms, and infant care basics.

Mentor Moms - The mission of the Mentor Mom Program is to offer support, education, and friendship to young mothers. It strives to encourage positive parenting skills by matching moms with mentors who are trained, supervised, and supported. The program addresses in a very personal and supportive way the crucial need for at-risk moms to have support and encouragement in raising a child. It aims to help young mothers explore new options, problem-solve, and make life affirming goals and choices for her and her child.

Faith Based Mentoring - The Huntington County mentoring program's vision is to see the faith community join together to partner with families who want help to change their situation. The mission of Faith Based Mentoring is to provide supportive relationships with partner families, who will be empowered to learn life skills and achieve self-sufficiency.

Teen Court - The Wells County Teen Court program was established to provide a diversion program that holds juveniles accountable for their actions while reducing the caseload of local courts and probation officers. The program provides education, training, and "hands-on" participation for youth volunteers and promotes respect for the rule of the law. The program increases appreciation for the legal system in both offenders and volunteers.

Students Out of School - The mission of the program is to provide a safe, structured, and educational environment for Wells County students as an alternative to out-of-school suspensions. The program allows the student to continue his/her education while holding the student accountable for his/her behavior. The students are able to complete their school work, while remaining in a supervised, structured, and supportive environment.

Youth as Resources - The program's goal is to inspire and instill excellence in youth through the provision of grants, written and approved by youth, for the purpose of community improvement. Youth as Resources promotes learning life-long skills and engages youth to bring positive changes to their community and improve the lives of others.

Host Homes - Host Homes are safe, nuturing temporary alternative to institutions or foster homes, designed to give shelter to children who need a "cooling off" period away from their family due to crisis situations. The goal of the program is not only to provide shelter for children in crisis, but to reunify and preserve families whevever possible. Resources are provided to the families for continued help and support.

The Closet - This program assists families in the community by providing free clothing and necessities for infants and preschool aged children. The Closet is a nonintimidating environment that respects the dignity of those in the community who need assistance.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

## NOTE 2 - PROGRAM SERVICES (continued)

Safe Place - The program is a community partnership to provide safe and immediate help for runaway, homeless, and in-crisis youth. The program is an "insurance policy" for youth to use at times when they feel overwhelmed or unsafe. The program is available to any youth experiencing abuse, neglect, social or family problems with which he/she is unable to cope.

## NOTE 3 - EMPLOYEE BENEFIT PLAN

The Organization maintains a SIMPLE IRA plan for all eligible employees. The plan covers all employees who will receive at least $1,000 in compensation during the calendar year. The Organization contributes 2% of eligible employee's wages up to a maximum of $4,000 per year. Contributions to the plan charged to operations were $15,458 and $15,401 for the years ended December 31, 2008 and 2007, respectively.

## NOTE 4 - NET ASSETS

Unrestricted net assets are made up of the following funds:

| | 2008 | 2007 |
|---|---|---|
| Operating | $ 205,761 | $ 245,833 |
| Equipment | 23,032 | 23,032 |
| Total | $ 233,613 | $ 268,865 |

Temporarily restricted net assets consist of contributions from individuals and organizations that are to be used for a specific purpose. Temporarily restricted net assets totaled $7,589 and $9,061 as of December 31, 2008 and 2007, respectively.

Permanently restricted net assets are to be held for endowment purposes. Income derived from the endowment is available for the general operations of the Organization. Permanently restricted net assets totaled $10,800 and $10,525 for the years ended December 31, 2008 and 2007, respectively.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

## NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest represents funds held by the Wells County Community Foundation totaling $11,216 and $15,761 for the years ended December 31, 2008 and 2007, respectively.

These funds are reported at carrying value on the Statement of Financial Position. Investment income earned on this endowment consisted of $288 of interest and dividend income for the year ended December 31, 2008. Additionally the endowment created $(4,906) of net unrealized/realized gains (loss) and incurred $151 of operating fees for the year ended December 31, 2008. The net investment activity is reported under Support and Revenue on the Statement of Activities as Gain (loss) on investments.

Contributions to the endowment totaling $275 for the year ended December 31, 2008 are under Support and Revenue on the Statement of Activities as permanently restricted contributions.

Additionally, the Organization has funds held by the Wells County Community Foundation for the benefit of the Organization. The values totaled $10,486 and $15,040 for the years ended December 31, 2008 and 2007, respectively. The Foundation retains variance power over these funds. Accordingly, these funds are not recorded as assets to the organization.

## NOTE 6 - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000 and $100,000 for the years ended December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Organization had $0 and $50,310 in uninsured balances at the bank, respectively. These balances are included in Cash and cash equivalents on the Statement of Financial Position.

Additionally, the Organization receives substantial support from the federal government. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. Claims for federally supported programs are filed and reimbursed on a monthly basis.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

## NOTE 7 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2008:

| Contributor | Amount | % of Total Support & Revenue |
|---|---|---|
| State of Indiana - Healthy Families | $558,365 | 51% |
| Wells County Treasurer | $104,029 | 10% |
| State of Indiana - Family Preservation | $ 55,256 | 5% |
| Huntington County Treasurer | $ 48,878 | 5% |
| Scan, Inc. | $ 44,135 | 4% |

## NOTE 8 - COMMITMENTS

In July 2007, the Organization entered into a three-year lease agreement for a facility in Huntington, Indiana for $1,665 per month. Rent expense for the years ended December 31, 2008 and 2007 was $19,980 and $10,371, respectively.

In August 2008, the Organization renewed a 12-month lease agreement for a facility in Bluffton, Indiana for $2,900 per month. Rent expense for the years ended December 31, 2008 and 2007 totaled $30,425 and $28,325, respectively.

In June 2006, the Organization entered into a 60-month lease agreement for a copier for $184 per month. Rental expense totaled $2,240 and $2,165 for the years ended December 31, 2008 and 2007, respectively.

In May 2006, the Organization entered into a 60-month lease agreement for a copier for $84 per month. Rental expense was $1,011 and $953 for the years ended December 31, 2008 and 2007, respectively.

Future minimum lease payments are as follows:

| | |
|---|---|
| 2009 | $ 46,404 |
| 2010 | 13,214 |
| 2011 | 1,527 |
| 2012 | - |
| 2013 and thereafter | - |
| Total | $ 61,145 |

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2008 and December 31, 2007

## NOTE 9 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures:

CASH AND CASH EQUIVALENTS - The carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments.

PLEDGES RECEIVABLE – The carrying amounts reported in the Statement of Financial Position are recorded at the time the donor makes the pledge, less a discount for the time value of money on pledges receivable by the Organization.

The estimated fair values of the Organization's financial instruments at December 31, 2008, are as follows:

| | Carrying Amount | Fair Value |
|---|---|---|
| Financial Assets: | | |
| Cash and cash equivalents | $ 134,177 | $ 134,177 |
| Pledges receivable | $ 2,525 | $ 2,525 |

# Family Centered Services, Inc.

## Schedule of Expenditures of Federal Awards

## December 31, 2008

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-Through Number | Revenue Recognized | Expenditures |
|---|---|---|---|---|
| U.S. Department of Health and Human Services: | | | | |
| Passed through Indiana Department of Child Services: | | | | |
| Temporary assistance for needy families | 93.558 | 90-05-60-1741 | $ 617,848 | $ 617,848 |
| Passed through Indiana Department of Child Services: | | | | |
| Family Preservation and Support Services | 93.556 | 97-07-66-1741 | 58,998 | 58,998 |
| Total Federal Assistance | | | $ 676,846 | $ 676,846 |

- See Accompanying Notes -

Family Centered Services, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2008

## NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Family Centered Services, Inc. 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 preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S 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***

April 7, 2009

Board of Directors
Family Centered Services, Inc.
Bluffton, Indiana 46714

We have audited the financial statements of Family Centered Services, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated April 7, 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 Centered Services, 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 Centered Services, 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 Centered Services, 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.*

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

Bollenbacher + Associates, LLC

Portland, Indiana
April 7, 2009

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 7, 2009

Board of Directors
Family Centered Services, Inc.
Bluffton, Indiana 46714

Compliance

We have audited the compliance of Family Centered Services, Inc. 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 Centered 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 each of its major federal programs is the responsibility of Family Centered Services, Inc.'s management. Our responsibility is to express an opinion on Family Centered 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 Family Centered 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 Family Centered Services, Inc.'s compliance with those requirements.

In our opinion, Family Centered Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Family Centered Services, 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 Centered Services, 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 Centered Services, Inc.'s internal control over compliance.

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.

Bollenbacher & Associates, LLC

Portland, Indiana
April 7, 2009

Schedule of Findings and Questioned Costs

December 31, 2008

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 | X No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ____ Yes | X None Reported |
| Noncompliance material to financial statements noted? | ____ Yes | X No |

**Federal Awards**

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | ____ Yes | X No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ____ Yes | X None Reported |
| Type of report issued on compliance for major programs: | | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | ____ Yes | X No |

Schedule of Findings and Questioned Costs

December 31, 2008

**Identification of Major Programs:**

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 93.558 | Temporary Assistance for Needy Families (TANF) |

Dollar threshold used to distingush between type A and type B programs: $ 300,000

Audited qualified as low-risk auditee? __X__ Yes ______ No

**Section II - Financial Statement Findings**

No material weaknesses or instance of noncompliance noted.

**Section III - Federal Award Findings and Questioned Costs**

No material weaknesses or instances of noncompliance, including questioned costs noted.