B38335

STATE OF INDIANA

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January 13, 2011

Board of Directors
Family Centered Services, Inc.
123 S. Marion St., #201, 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, 2009 to December 31, 2009. 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, 2009, 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, 2009
and December 31, 2008

Family Centered Services, Inc.

Table of Contents

Bollenbacher & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Family Centered Services, Inc. (a non-profit organization), as of December 31, 2009 and 2008 and the related 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Family Centered Services, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years 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 January 27, 2010, 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.

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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
January 27, 2010

Family Centered Services, Inc.

Statements of Financial Position

December 31, 2009 and December 31, 2008

Assets

	12/31/09	12/31/08
Current Assets:		
Cash and cash equivalents:		
Unrestricted	$ 198,671	$ 126,588
Restricted	5,960	7,589
Pledges receivable	-	2,525
Grants receivable	109,069	151,164
Inventory	3,936	-
Prepaid expenses	8,473	11,765
Total current assets	326,109	299,631
Property and Equipment:		
Machinery and equipment	69,855	68,984
Less: Accumulated depreciation	(59,892)	(53,209)
Total property and equipment	9,963	15,775
Other Asset:		
Beneficial interest in assets held by others	14,453	11,216
Total assets	$ 350,525	$ 326,622

Family Centered Services, Inc.

Statements of Financial Position

December 31, 2009 and December 31, 2008

Liabilities and Net Assets

	12/31/09	12/31/08
Current Liabilities:		
Accounts payable	$ 4,335	$ 7,625
Accrued expenses	41,922	71,815
Total current liabilities	46,257	79,440
Net Assets:		
Unrestricted net assets	287,258	228,793
Temporarily restricted net assets	5,960	7,589
Permanently restricted net assets	11,050	10,800
Total net assets	304,268	247,182
Total liabilities and net assets	$ 350,525	$ 326,622

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2009 and December 31, 2008

	Unrestricted	Temporarily Restricted
Support, Revenue, and Reclassifications:		
Contributions	$ 47,631	$ 3,820
United Way	16,000	-
Grants - federal	531,865	-
Grants - state and local	403,124	-
Fundraising events	30,461	-
Program services fees	2,152	-
Interest income	1,352	-
Gain (loss) on investments	2,986	-
Other income	656	-
The Closet (net of cost of $6,411)	2,804	-
Net assets released from restrictions and transfers between classes of net assets	5,449	(5,449)
Total support and revenue	1,044,480	(1,629)
Expenses:		
Program services:		
Families in Transition	10,954	-
Family Preservation	246,496	-
Healthy Families	489,054	-
Parenting	19,859	-
Other youth programs	71,043	-
Mentor Moms	26,459	-
Teen Court	42,862	-
Faith Based Mentoring	-	-
Host Homes	27,648	-
Safe Place	11,973	-
Total program services	946,348	-
Support services:		
General and administrative	19,457	-
Fundraising	20,210	-
Total support services	39,667	-
Total expenses	986,015	-

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2009 and December 31, 2008

Permanently Restricted	Total All Classes 2009	Total All Classes 2008
$ 250	$ 51,701	$ 42,509
-	16,000	18,000
-	531,865	629,189
-	403,124	361,081
-	30,461	31,032
-	2,152	3,126
-	1,352	2,602
-	2,986	(4,820)
-	656	-
-	2,804	-
-	-	-
250	1,043,101	1,082,719
-	10,954	10,638
-	246,496	370,449
-	489,054	508,399
-	19,859	24,886
-	71,043	60,931
-	26,459	23,271
-	42,862	39,272
-	-	10,553
-	27,648	28,140
-	11,973	8,994
-	946,348	1,085,533
-	19,457	18,860
-	20,210	19,595
-	39,667	38,455
-	986,015	1,123,988

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2009 and December 31, 2008 (continued)

	Unrestricted	Temporarily Restricted
Changes in Net Assets	58,465	(1,629)
Net Assets - Beginning	228,793	7,589
Net Assets - Ending	$ 287,258	$ 5,960

Family Centered Services, Inc.

Statements of Activities

For the Years Ended December 31, 2009 and December 31, 2008 (continued)

Permanently Restricted	Total All Classes 2009	Total All Classes 2008
250	57,086	(41,269)
10,800	247,182	288,451
$ 11,050	$ 304,268	$ 247,182

Family Centered Services, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2009

	Program Services						
	Families in Transition	Family Preservation	Healthy Families	Parenting	Other Youth Programs	Mentor Moms	Teen Court
Salaries	$ 7,295	$ 165,430	$ 339,349	$ 10,590	$ 47,196	$ 19,158	$ 31,045
Employee benefits	136	13,674	30,150	360	3,429	1,883	2,858
Payroll taxes	588	12,902	26,693	794	3,688	1,429	2,404
Total salaries and related expenses	8,019	192,006	396,192	11,744	54,313	22,470	36,307
Occupancy	-	13,122	28,524	6,600	5,615	1,415	1,415
Travel	34	11,862	15,728	31	265	447	762
Supplies	117	2,930	7,743	149	927	375	543
Program expenses	2,385	236	6,957	835	6,458	249	1,767
Professional fees	92	750	7,327	-	708	271	311
Telephone	72	1,756	5,039	113	1,001	185	308
Insurance	90	2,123	6,059	131	519	237	388
Other	19	3,027	1,676	32	115	75	162
Training	2	665	1,322	3	76	272	169
Dues and subscriptions	42	1,253	3,683	40	312	84	192
Postage	42	700	2,007	43	129	109	125
Equipment	39	890	2,355	59	240	106	175
Client assistance	-	13,911	63	-	-	20	-
Fundraising	-	-	-	-	-	-	-
Advertising	1	-	25	-	-		-
Interest	-	20	27	-	-	-	-
Total expenses before depreciation	10,954	245,251	484,727	19,780	70,678	26,315	42,624
Depreciation	-	1,245	4,327	79	365	144	238
Total expenses	$ 10,954	$ 246,496	$ 489,054	$ 19,859	$ 71,043	$ 26,459	$ 42,862

Family Centered Services, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2009

Program Services			Support Services			
Host Homes	Safe Place	Total Program Services	General and Administrative	Fund Raising	Total Support Services	Total Expenses
$ 21,778	$ 8,522	$ 650,363	$ 16,429	$ 10,953	$ 27,382	$ 677,745
1,320	326	54,136	83	55	138	54,274
1,354	690	50,542	872	581	1,453	51,995
24,452	9,538	755,041	17,384	11,589	28,973	784,014
707	708	58,106	-	-	-	58,106
515	138	29,782	-	-	-	29,782
253	147	13,184	454	-	454	13,638
127	166	19,180	-	-	-	19,180
112	178	9,749	550	-	550	10,299
649	82	9,205	561	-	561	9,766
223	154	9,924	-	-	-	9,924
59	18	5,183		141	141	5,324
83	67	2,659	100	-	100	2,759
117	621	6,344	7	-	7	6,351
77	41	3,273	316	-	316	3,589
98	54	4,016	-	-	-	4,016
37	-	14,031	-	-	-	14,031
-	-	-	-	8,480	8,480	8,480
-	-	26	-	-	-	26
-	-	47	-	-	-	47
27,509	11,912	939,750	19,372	20,210	39,582	979,332
139	61	6,598	85	-	85	6,683
$ 27,648	$ 11,973	$ 946,348	$ 19,457	$ 20,210	$ 39,667	$ 986,015

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	-	-	-	-	-	-	-
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

Statements of Cash Flows

For the Years Ended December 31, 2009 and December 31, 2008

	2009	2008
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	$ 57,086	$ (41,269)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	6,683	8,660
(Gain) loss on investments, net	(2,986)	4,820
(Increase) decrease in assets:		
Inventory	(3,936)	-
Pledges receivable	2,525	825
Grants receivable	42,095	(69,988)
Prepaid expenses	3,292	3,904
Increase (decrease) in liabilities:		
Accounts payable	(3,291)	4,804
Accrued expenses	(29,893)	15,350
Total adjustments	14,489	(31,625)
Net cash flow provided by operating activities	71,575	(72,894)
Cash Flows from Investing Activities:		
Payments - Property and equipment purchases	(871)	(2,879)
Change in restricted cash	1,629	1,472
Net cash flow used by investing activities	758	(1,407)
Cash Flows from Financing Activities:		
Payments - Endowment	(250)	(275)
Net cash flow from financing activities	(250)	(275)
Net increase in cash and cash equivalents	72,083	(74,576)
Cash and cash equivalents - Beginning	126,588	201,164
Cash and cash equivalents - Ending	$ 198,671	$ 126,588
Supplemental Cash Flow Information		
Interest paid	$ 47	$ -

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Family Centered Services, Inc. is an Indiana not-for-profit corporation incorporated on 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 *Financial Statements of Not-for-Profit Organizations* Accounting Standard. Under this standard, 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 *Accounting for Contributions Received and Contributions Made* Accounting Standard, in the years ended December 31, 2009 and 2008. In accordance with this standard, 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, 2009 and 2008, respectively. As of December 31, 2009 and 2008 there was no allowance for doubtful accounts, as all grants and pledges receivable were deemed collectible.

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, 2009 and 2008 totaled $6,683 and $8,660, 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, 2009 and 2008.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

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, 2009 and 2008 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 $25 and $433 were incurred by the Organization to promote its programs among the Wells and Huntington County communities for the years ended December 31, 2009 and 2008, 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 10 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. The Network for Safe Families component of this program offers parents help with situations that are interfering with their ability to manage their families.

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. This program was discontinued as of December 31, 2008.

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. This program was discontinued as of December 31, 2008.

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. An additional component to this program is S.I.G.N.A.L.S. which is a substance abuse awareness, prevention, intervention, and education program that aims to help teens learn the importance of making responsible, mature, and informed decisions.

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.

Family Centered Services, Inc.

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

NOTE 2 - PROGRAM SERVICES (continued)

Host Homes - Host Homes are safe, nurturing 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 whenever 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 non-intimidating environment that respects the dignity of those in the community who need assistance.

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 $6,144 and $15,458 for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009, the Organization discontinued the SIMPLE IRA plan for employees and will begin to offer a 403(b) plan for all eligible employees as of January 1, 2010. The Organization will not be matching funds contributed to this plan.

NOTE 4 - NET ASSETS

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 $5,960 and $7,589 as of December 31, 2009 and 2008, 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 $11,050 and $10,800 for the years ended December 31, 2009 and 2008, respectively.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest represents funds held by the Wells County Community Foundation totaling $14,453 and $11,216 for the years ended December 31, 2009 and 2008, respectively.

These funds are reported at carrying value on the statement of financial position. Investment income earned on this endowment consisted of $211 and $288 of interest and dividend income for the years ended December 31, 2009 and 2008, respectively. Additionally the endowment created $2,893 and $(4,957) of net unrealized/realized gains (loss) and incurred $117 and $151 of operating fees for the years ended December 31, 2009 and 2008, respectively. 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 $250 and $275 for the years ended December 31, 2009 and 2008, respectively are under support and revenue on the statement of activities as permanently restricted contributions.

The Organization's endowment fund consisted of the following for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 416	$ -	$ 10,800	$ 11,216
Investment return:				
Investment income	211	-	-	211
Net depreciation (realized and unrealized)	2,893	-	-	2,893
Total investment return	3,104	-	-	3,104
Contributions	-	-	250	250
Appropriation of endowment assets for expenditure	(117)	-	-	(117)
Endowment net assets, end of year	$ 3,403	$ -	$ 11,050	$ 14,453

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)

The Organization's endowment fund consisted of the following for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,236	$ -	$ 10,525	$ 15,761
Investment return:				
Investment income	288	-	-	288
Net depreciation (realized and unrealized)	(4,957)	-	-	(4,957)
Total investment return	(4,669)	-	-	(4,669)
Contributions	-	-	275	275
Appropriation of endowment assets for expenditure	(151)	-	-	(151)
Endowment net assets, end of year	$ 416	$ -	$ 10,800	$ 11,216

Additionally, the Organization has funds held by the Wells County Community Foundation for the benefit of the Organization. The values totaled $13,278 and $10,486 for the years ended December 31, 2009 and 2008, 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 $250,000 for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the Organization had $0 and $0 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, 2009 and December 31, 2008

NOTE 7 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2009:

Contributor	Amount	% of Total Support & Revenue
State of Indiana - Healthy Families	$617,015	59%
Scan, Inc.	$153,163	15%
State of Indiana - Family Preservation	$135,395	13%
Indiana Youth Services Association	$ 61,713	6%

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%
Indiana Youth Services Association	$ 64,673	6%
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, 2009 and 2008 was $19,980 and $19,980, respectively.

In August 2009, 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, 2009 and 2008 totaled $34,800 and $30,425, respectively.

In June 2006, the Organization entered into a 60-month lease agreement for a copier for $184 per month. Rental expense totaled $2,213 and $2,240 for the years ended December 31, 2009 and 2008, respectively.

NOTE 8 - COMMITMENTS (continued)

In May 2006, the Organization entered into a 60-month lease agreement for a copier for $84 per month. Rental expense was $1,116 and $1,011 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments are as follows:

2010	$ 45,119
2011	24,724
2012	-
2013	-
2014 and thereafter	-
Total	$ 69,843

NOTE 9 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Measurements Accounting Standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Organization's financial instruments at December 31, 2009, none of which are held for trading purposes, are as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Certificate of deposit	$ 5,685	$ -	$ -	$ 5,685
Endowment fund	14,453	-	-	14,453
Total assets at fair value	$ 20,138	$ -	$ -	$ 20,138

NOTE 9 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The estimated fair values of the Organization's financial instruments at December 31, 2008, none of which are held for trading purposes, are as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Certificates of deposit	$ 7,202	$ -	$ -	$ 7,202
Endowment fund	11,216	-	-	11,216
Total assets at fair value	$ 18,418	$ -	$ -	$ 18,418

NOTE 10 - LINE OF CREDIT

The Organization maintains an available line-of-credit (line) of $100,000 from a bank under a short-term borrowing agreement which calls for interest charged at the U.S. Prime Rate plus 2% (5.25% at December 31, 2009). As of December 31, 2009, the Organization had not utilized any of the available funds. The line is due upon demand by the bank.

NOTE 11 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2009, the Organization held cash deposits totaling $177,606 at a financial institution where a member of the Board of Directors is employed.

NOTE 12 - SUBSEQUENT EVENTS

The Organization began to offer a 403(b) plan for all eligible employees as of January 1, 2010. This will replace the SIMPLE IRA plan that was discontinued as of December 31, 2009. Under the 403(b) plan, the Organization will not be offering an employer match to contributions made by employees.

The Organization began discussions during the year with another Not-For-Profit in Huntington County, Indiana, McKenzie's Hope, regarding the possibility of merging the two organizations. There have not been any formal commitments by either Organization as of January 14, 2010. It is currently anticipated that if the merger goes through, McKenzie's Hope would become a program under the Organization. Management believes that the merged Organization would create an opportunity to grow the programs and services of McKenzie's Hope while creating operating efficiencies for both Organizations.

Schedule of Expenditures of Federal Awards

December 31, 2009

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	$ 579,156	$ 579,156
Passed through Indiana Department of Child Services:				
Family Preservation and Support Services	93.556	97-07-66-1741	138,065	138,065
Total Federal Assistance			$ 717,221	$ 717,221

Family Centered Services, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2009

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.

Bollenbacher & Associates, LLC
Certified Public Accountants

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*

January 27, 2010

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, 2009, and have issued our report thereon dated January 27, 2010. 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.

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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
January 27, 2010

Bollenbacher & Associates, LLC
Certified Public Accountants

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

January 27, 2010

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, 2009. 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, 2009.

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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.

Bellenbacher & Associates, LLC

Portland, Indiana
January 27, 2010

Schedule of Findings and Questioned Costs

December 31, 2009

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, 2009

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.