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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 17, 2011

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

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

Human Services Inc.
and Subsidiary

Financial Statements
For The Years Ended
December 31, 2008 and 2007
(With Single Audit Section)

COMER NOWLING AND ASSOCIATES, P.C.

Certified Public Accountants

HUMAN SERVICES, INC. AND SUBSIDIARY

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COMER NOWLING AND ASSOCIATES, P.C.

Independent Auditor's Report

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

We have audited the accompanying consolidated statements of financial position of Human Services, Inc. and Subsidiary as of December 31, 2008 and 2007 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Services, Inc. and Subsidiary as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2009 on our consideration of Human Services, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

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

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 29, 2009

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	Human Services, Inc.				
	Unrestricted	Temporarily Restricted	2008 Total	2008 Subsidiary	2008 Consolidated
CURRENT ASSETS					
Cash	$ 1,162,319	$ -	$ 1,162,319	$ 44,324	$ 1,206,643
Investments	1,415	-	1,415	-	1,415
Investments - affiliate projects	-	-	-	184,926	184,926
Grants receivable	1,079,467	-	1,079,467	-	1,079,467
Other receivables	-	-	-	-	-
Notes receivable - current portion	14,437	-	14,437	20,389	34,826
Inventory	20,731	-	20,731	-	20,731
Prepaid expenses	32,064	-	32,064	-	32,064
Total current assets	2,310,433	-	2,310,433	249,639	2,560,072
PROPERTY AND EQUIPMENT					
Buildings	876,940	490,000	1,366,940	-	1,366,940
Equipment	659,954	-	659,954	-	659,954
Land	90,000	-	90,000	-	90,000
	1,626,894	490,000	2,116,894	-	2,116,894
Less accumulated depreciation	(483,248)	-	(483,248)	-	(483,248)
Total property and equipment, net	1,143,646	490,000	1,633,646	-	1,633,646
OTHER ASSETS					
Notes receivable - net of current portion	3,200,672	-	3,200,672	-	3,200,672
Total assets	$ 6,654,751	$ 490,000	$ 7,144,751	$ 249,639	$ 7,394,390
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 1,708,028	$ -	$ 1,708,028	$ -	$ 1,708,028
Accrued salaries and wages	88,184	-	88,184	-	88,184
Accrued payroll taxes	18,813	-	18,813	-	18,813
Accrued income taxes	-	-	-	808	808
Advances payable	218,209	-	218,209	2,931	221,140
Current portion of long-term liabilities	68,655	-	68,655	-	68,655
Total current liabilities	2,101,889	-	2,101,889	3,739	2,105,628
LONG-TERM LIABILITIES					
Irwin Union - term loan	3,247,852	-	3,247,852	-	3,247,852
Total liabilities	5,349,741	-	5,349,741	3,739	5,353,480
NET ASSETS	1,305,010	490,000	1,795,010	245,900	2,040,910
Total liabilities and net assets	$ 6,654,751	$ 490,000	$ 7,144,751	$ 249,639	$ 7,394,390

See accompanying notes to financial statements.

	Human Services, Inc.				
	Unrestricted	Temporarily Restricted	2007 Total	2007 Subsidiary	2007 Consolidated
	$ 789,061	$ -	$ 789,061	$ 40,240	$ 829,301
	1,447	-	1,447	-	1,447
	-	-	-	185,088	185,088
	843,554	-	843,554	-	843,554
	-	-	-	500	500
	328,269	-	328,269	20,389	348,658
	19,662	-	19,662	-	19,662
	29,173	-	29,173	-	29,173
	2,011,166	-	2,011,166	246,217	2,257,383
	899,279	490,000	1,389,279	-	1,389,279
	1,019,221	-	1,019,221	-	1,019,221
	90,000	-	90,000	-	90,000
	2,008,500	490,000	2,498,500	-	2,498,500
	(1,063,042)	-	(1,063,042)	-	(1,063,042)
	945,458	490,000	1,435,458	-	1,435,458
	2,894,364	-	2,894,364	-	2,894,364
	$ 5,850,988	$ 490,000	$ 6,340,988	$ 246,217	$ 6,587,205
	$ 1,267,331	$ -	$ 1,267,331	$ -	$ 1,267,331
	68,278	-	68,278	-	68,278
	31,394	-	31,394	-	31,394
	-	-	-	1,599	1,599
	192,526	-	192,526	2,931	195,457
	378,687	-	378,687	-	378,687
	1,938,216	-	1,938,216	4,530	1,942,746
	2,996,791	-	2,996,791	-	2,996,791
	4,935,007	-	4,935,007	4,530	4,939,537
	915,981	490,000	1,405,981	241,687	1,647,668
	$ 5,850,988	$ 490,000	$ 6,340,988	$ 246,217	$ 6,587,205

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Human Services, Inc.				
	Unrestricted	Temporarily Restricted	2008 Total	2008 Subsidiary	2008 Consolidated
REVENUE AND SUPPORT					
Grant revenue	$ 10,687,030	$ -	$ 10,687,030	$ -	$ 10,687,030
Contributions	362,056	-	362,056	-	362,056
Rental income	94,212	-	94,212	12,000	106,212
Interest income	809	-	809	-	809
Inkind donations	328,126	-	328,126	-	328,126
Other income	48,234	-	48,234	-	48,234
Total support	11,520,467	-	11,520,467	12,000	11,532,467
EXPENSES					
CSBG	366,588	-	366,588	-	366,588
Energy assistance	3,143,885	-	3,143,885	-	3,143,885
Weatherization	177,079	-	177,079	-	177,079
Head Start and USDA	2,925,696	-	2,925,696	-	2,925,696
Commodities	80,889	-	80,889	-	80,889
CCDF	234,200	-	234,200	-	234,200
Other programs	4,349,105	-	4,349,105	-	4,349,105
Management and general	97,351	-	97,351	-	97,351
Subsidiary	-	-	-	7,787	7,787
Total operating expenses	11,374,793	-	11,374,793	7,787	11,382,580
Increase (decrease) in net assets before extraordinary item	145,674	-	145,674	4,213	149,887
Extraordinary gain: Flood damage	243,355	-	243,355	-	243,355
Increase (decrease) in net assets	389,029	-	389,029	4,213	393,242
NET ASSETS AT BEGINNING OF YEAR	915,981	490,000	1,405,981	241,687	1,647,668
NET ASSETS AT END OF YEAR	$ 1,305,010	$ 490,000	$ 1,795,010	$ 245,900	$ 2,040,910

See accompanying notes to financial statements.

Human Services, Inc.				
Unrestricted	Temporarily Restricted	2007 Total	2007 Subsidiary	2007 Consolidated
$ 9,717,648	$ -	$ 9,717,648	$ -	$ 9,717,648
411,848	-	411,848	-	411,848
86,674	-	86,674	12,000	98,674
710	-	710	-	710
271,378	-	271,378	-	271,378
161,162	-	161,162	-	161,162
10,649,420	-	10,649,420	12,000	10,661,420
346,160	-	346,160	-	346,160
2,596,535	-	2,596,535	-	2,596,535
390,328	-	390,328	-	390,328
2,868,487	-	2,868,487	-	2,868,487
61,002	-	61,002	-	61,002
196,300	-	196,300	-	196,300
4,090,592	-	4,090,592	-	4,090,592
98,447	-	98,447	-	98,447
-	-	-	4,897	4,897
10,647,851	-	10,647,851	4,897	10,652,748
1,569	-	1,569	7,103	8,672
-	-	-	-	-
1,569	-	1,569	7,103	8,672
914,412	490,000	1,404,412	234,584	1,638,996
$ 915,981	$ 490,000	$ 1,405,981	$ 241,687	$ 1,647,668

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	CSBG	Energy Assistance	Weatherization	Head Start and USDA
OPERATING EXPENSES:				
Salaries and wages	$ 174,546	$ 162,580	$ 79,225	$ 1,552,828
Payroll taxes	18,132	18,303	10,081	187,035
Employee benefits	27,968	17,319	9,515	298,640
Employee related expenses	5,375	392	211	6,295
Professional fees	9,683	34,304	1,234	24,521
Supplies	23,041	74,292	15,491	233,860
Communications	11,152	9,067	1,131	20,276
Shipping	4,163	4,189	56	2,968
Occupancy cost	21,247	22,936	8,650	265,375
Equipment rental and maintenance	5,990	16,701	97,637	208,861
Printing and publications	1,148	9,719	64	2,567
Travel and transportation	9,742	2,490	12,264	133,092
Conferences and meetings	28,838	947	332	35,987
Specific assistance to individuals	27,721	2,795,695	38,475	172,154
Membership dues	3,370	114	-	920
Income tax expense	-	-	-	-
Insurance and other expenses	2,379	1,761	2,961	14,831
Total expenses reported by function before GAAP adjustments	374,495	3,170,809	277,327	3,160,210
GAAP adjustments:				
Extraordinary expenses	(6,793)	(14,299)	(9,218)	(20,918)
Asset capitalization	(1,114)	(12,625)	(91,030)	(213,596)
Depreciation	-	-	-	-
Total expenses reported by function after GAAP adjustments	$ 366,588	$ 3,143,885	$ 177,079	$ 2,925,696

See accompanying notes to financial statements.

Commodities	CCDF	Other Programs	Management and General	Subsidiary	2008 Consolidated Totals
$ 27,613	$ 71,754	$ 669,263	$ 2,153	$ -	$ 2,739,962
2,468	7,766	91,085	426	-	335,296
5,879	11,514	111,747	5,895	-	488,477
272	311	2,216	200	-	15,272
4,141	113,446	134,470	547	3,772	326,118
8,802	5,859	55,424	492	-	417,261
2,439	4,757	15,632	-	-	64,454
216	1,491	7,672	16	-	20,771
12,824	14,257	136,584	42	-	481,915
9,501	3,295	64,986	6	-	406,977
136	510	2,939	81	-	17,164
5,094	1,379	45,364	150	-	209,575
798	228	3,928	(18)	-	71,040
1,371	(22)	3,018,959	(300)	-	6,054,053
-	-	720	-	-	5,124
-	-	0	-	808	808
2,499	779	13,064	80,512	3,207	121,993
84,053	237,324	4,374,053	90,202	7,787	11,776,260
(3,164)	(3,124)	(11,261)	(67,158)		(135,935)
-	-	(13,687)	-	-	(332,052)
-	-	-	74,307	-	74,307
$ 80,889	$ 234,200	$ 4,349,105	$ 97,351	$ 7,787	$ 11,382,580

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

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

See accompanying notes to financial statements.

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

HUMAN SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Human Services, Inc.				
	Unrestricted	Temporarily Restricted	2008 Total	2008 Subsidiary	2008 Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Increase (decrease) in net assets	$ 389,029	$ -	$ 389,029	$ 4,213	$ 393,242
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:					
Depreciation	74,307	-	74,307	-	74,307
Increase (decrease) in cash from changes in:					
Grants receivable	(235,913)	-	(235,913)	-	(235,913)
Other receivable	-	-	-	500	500
Notes receivable	7,524	-	7,524	-	7,524
Inventory	(1,069)	-	(1,069)	-	(1,069)
Prepaid expenses	(2,891)	-	(2,891)	-	(2,891)
Accounts payable	440,697	-	440,697	-	440,697
Accrued salaries and wages	19,906	-	19,906	-	19,906
Accrued taxes	(12,581)	-	(12,581)	(791)	(13,372)
Advances payable	25,683	-	25,683	-	25,683
Net cash provided by (used in) operating activities	704,692	-	704,692	3,922	708,614
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investments - affiliate projects	-	-	-	162	162
Acquisition of property and equipment, net	(273,586)	-	(273,586)	-	(273,586)
Net cash provided by (used in) investing activities	(273,586)	-	(273,586)	162	(273,424)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of lines of credit	-	-	-	-	-
Borrowings from term loans	330,000	-	330,000	-	330,000
Repayment of term loans	(387,848)	-	(387,848)	-	(387,848)
Net cash used in financing activities	(57,848)	-	(57,848)	-	(57,848)
NET I AND CASH EQUIVALENTS	373,258	-	373,258	4,084	377,342
CASH, BEGINNING OF YEAR	789,061	-	789,061	40,240	829,301
CASH, END OF YEAR	$ 1,162,319	$ -	$ 1,162,319	$ 44,324	$ 1,206,643

SUPPLEMENTAL DISCLOSURES:	
Cash paid for:	
Interest	$ 16,993

See accompanying notes to financial statements.

Human Services, Inc. Unrestricted	Temporarily Restricted	2007 Total	2007 Subsidiary	2007 Consolidated
$ 1,569	$ -	$ 1,569	$ 7,103	$ 8,672
96,755	-	96,755	-	96,755
93,509	-	93,509	-	93,509
-	-	-	(500)	(500)
-	-	-	-	-
(998)	-	(998)	-	(998)
9,520	-	9,520	-	9,520
200,100	-	200,100	(7,805)	192,295
6,931	-	6,931	-	6,931
(10,537)	-	(10,537)	663	(9,874)
(18,691)	-	(18,691)	2,931	(15,760)
378,158	-	378,158	2,392	380,550
-	-	-	214	214
(100,656)	-	(100,656)	-	(100,656)
(100,656)	-	(100,656)	214	(100,442)
-	-	-		-
35,000	-	35,000		35,000
(68,762)	-	(68,762)	-	(68,762)
(33,762)	-	(33,762)	-	(33,762)
243,740	-	243,740	2,606	246,346
545,321	-	545,321	37,634	582,955
$ 789,061	$ -	$ 789,061	$ 40,240	$ 829,301

$ 24,772

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

NATURE OF ACTIVITIES

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

BASIS OF ACCOUNTING

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

REVENUE RECOGNITION

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

The Subsidiary recognizes revenue as it is earned and billed.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of $5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of five to thirty-nine years. The following is a summary of the lives for each class of asset:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

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

Total depreciation expense for the years ended December 31, 2008 and 2007, was $74,307 and $96,755, respectively.

The Subsidiary provides for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiary's general practice to charge maintenance and repairs to expense in the current period. As of December 31, 2008 and 2007, the Subsidiary maintained no property and equipment on its Statement of Financial Position.

INCOME TAX STATUS

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

Income tax expense for the Subsidiary will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2008 and 2007. For the year ended December 31, 2008, the provision for income taxes consisted of current federal income taxes payable of $326, net of current low-income housing tax credits of $474, and current state income taxes payable of $426. For the year ended December 31, 2007, the provision for income taxes consisted of current federal income taxes payable of $1,200, net of current low-income housing tax credits of $474, and current state income taxes payable of $831.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For comparability purposes, the Subsidiary's financial statement presentation follows that of the Organization. The Organization did not have permanently restricted assets as of December 31, 2008 and 2007 A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

ADOPTION OF NEW ACCOUNTING STANDARDS

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), issued July 2006, was effective as of January 1, 2007. The Organization has elected to defer adoption of FIN 48, in accordance with the provisions of FASB Staff Position No. FIN 48-3, which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008.

Upon adoption of FIN 48, the Organization will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Currently, the Organization accounts for contingencies associated with certain tax positions in accordance with SFAS No. 5, Accounting for Contingencies, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Organization adopted applicable portions of this standard for the year ended December 31, 2008.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

Investments consist of corporate stock, are stated at fair value, and are summarized as follows, at December 31, 2008 and 2007:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (continued)

As of December 31, 2008:	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
Wells Fargo & Company Stock	$ 1,049	$ 1,415	$ 366

As of December 31, 2007:	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
Wells Fargo & Company Stock	$ 1,049	$ 1,447	$ 398

GOVERNMENT GRANTS

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

INTEREST INCOME

Interest income is recognized in the accounting period in which it is earned. The Organization maintains funds received from various sources in interest bearing checking accounts. The portion of interest on advances of direct funds is remitted to the federal funding sources in accordance with OMB Circular A-110, Attachment D, *Uniform Administrative Requirements of Grants and Agreements with Non-profit Organizations*. The interest earned on other funds is included in unrestricted funds and is used to support the Organization's programs. This is in accordance with the Intergovernmental Cooperation Act (31 U.S.C. 6501 etc seq) and applicable State of Indiana regulations.

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IN-KIND CONTRIBUTIONS (continued)
and other support by the same amount. For the years ended December 31, 2008 and 2007, this adjustment amounted to approximately $413,199 and $376,293 respectively, and is included in other revenue and support on the Consolidated Statements of Activities.

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made.* SFAS 116 requires that only contributions of services received that create or enhance a non-financial assets or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of SFAS 116 are different from the in-kind requirements of the Organization's grant funding sources.

Of the $328,126 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2008, contributed services meeting the requirements of SFAS 116 are $32,276. In addition, $69,875 consisting of food, clothing and other goods were donated to the Organization's Horizon House. During 2008, the Organization also received other in-kind contributions totaling $479,683 related to its Head Start program which includes services from non-professional volunteers during 2008 with an estimated value of $136,359, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

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

DONATED MARKETABLE SECURITIES
Donated marketable securities are presented at their fair market value.

COST ALLOCATION
Common costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Common costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COST ALLOCATION (continued)

Personnel
Agency administrative personnel record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charges to programs.

Supplies
All supplies purchased for general use and stored in main office supply room will be charged to Community Services Block grant.

Building
Unallocated occupancy costs are allocated based on the rent distribution(s) at each location. Rent distributions are based on square footage used by each program at each specific location. Occupancy costs include rent, utilities, pest control, trash pick-up, security, fire protection, storage and building maintenance.

Printing Costs
Unallocated printing costs are allocated based on each program's percentage of direct labor hours. The most recent month's calculated percentage is used.

Insurance
Insurance is allocated to benefiting programs depending on the equipment, space or people covered by the insurance. Unallocated insurance is allocated based on the payroll of the program, the number of employees involved, amount of assigned equipment and/or the rent distribution for the specific location. Examples of unallocated insurance include Officers and Directors Insurance and non-profit umbrella policy.

Other Joint Costs
Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based on the amounts used by each program.

INVENTORIES

Inventories, which consist primarily of insulation and weatherization supplies, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation. Total supplies inventory amounted to $20,731 and $19,662 for the years ended December 31, 2008 and 2007, respectively.

NOTE 2 - CASH

Cash consisted of the following as of December 31, 2008:

Checking accounts	$ 1,162,219
Petty cash	100
	$ 1,162,319

Cash consisted of the following as of December 31, 2007:

Checking accounts	$ 788,861
Petty cash	200
	$ 789,061

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE

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

The Organization has provided $235,732 of funds to Oak Hill Apartments, L.P. under the Affordable Housing Program (AHP). Dated May 7, 1997, the note accrues interest annually at a rate of 1% and the balance of all unpaid principal and interest is due on May 1, 2017. The note is collateralized by all of the real estate and land improvements of the partnership. As of December 31, 2008 and 2007, the balance of the note receivable was $235,732.

The Organization has also provided $490,132 of funds to Oak Hill Apartments, L.P. under the Home Investment Partnership Program (HOME). Dated September 1, 1997, the note accrues interest at a rate of 1% per annum and the balance of all unpaid principal and interest is due on September 1, 2017. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a mortgage in favor of Irwin Union Bank. As of December 31, 2008 and 2007, the balance of the note receivable was $490,132.

The Organization has provided $464,000 to Oak Hill Apartments II, L.P. through the Indiana Housing Finance Authority (IHFA). Dated June 26, 2001, the note bears interest at 2.35% per annum, is payable in semi-annual installments of $15,209 and matured on June 30, 2008. The mortgage note is collateralized by certain real estate, improvements and an assignment of rents earned by the partnership. During 2008, the Organization refinanced the mortgage note with

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE (Continued)

Irwin Union Bank. All principal and accrued interest amounts on the IHFA note were repaid. As of December 31, 2008 and 2007, the balance of the note was $-0- and $328,269, respectively. In 2008, the Organization has provided $325,000 to Oak Hill Apartments II L.P through the refinancing of this loan, originally with through the Indiana Housing Finance Authority (IHFA) dated June 26, 2001. The new loan refinanced with Irwin Union Bank, dated September 29, 2008, requires annual interest at the rate of 5.5% per annum. Principal and interest payments of $2,676 began on November 15, 2008. The note matures on October 15, 2013. The note is secured by certain real estate and the assignment of rents. As of December 31, 2008 and 2007, the balance of the note was $320,745 and $-0-, respectively.

The Organization has also provided $300,000 to Oak Hill Apartments II, L.P. through the Affordable Housing Program of the Federal Home Loan Bank (FHLB). Dated February 11, 2000, the note requires annual interest payments of 1% to be each December 31, to the extent of available cash flow. The note is collateralized by certain real estate and improvements of the partnership and the balance of all unpaid principal and interest is due on February 11, 2020. As of December 31, 2008 and 2007, the balance of the note receivable was $300,000.

HSI Properties, Inc. has made operating advances totaling $20,389 to Oak Hill Apartments II, L.P. which bears interest at a rate of 6% per annum. These advances are unsecured and can only be repaid subject to available cash flow. As of December 31, 2008 and 2007, none of the advances had been repaid and $20,389 was still receivable.

The Organization has provided $208,500 to Ridgecrest Limited, L.P. through the HOME program. Dated June 22, 1999, the note bears interest at 5.79% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by a subordinated mortgage on the real estate of the partnership and the balance of all unpaid principal and interest is due on June 22, 2019. As of December 31, 2008 and 2007, $208,500 was still receivable on the note.

The organization has provided $360,000 to Jerman Housing, L.P. through the AHP program. Dated July 30, 2003, the note bears interest at 4.17% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2008 and 2007, the balance of the note receivable was $360,000.

The Organization has also provided $300,000 to Jerman Housing, L.P. through the AHP program of the FHLB. Dated July 30, 2003, the note bears interest at 4.65% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2008 and 2007, the balance of the note receivable was $300,000.

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE (Continued)

The Organization has provided $500,000 to Pearson Place, L.P. through the AHP program. Dated December 1, 2005, the note bears interest at 5% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2035. As of December 31, 2008 and 2007, the balance of the note receivable was $500,000.

The Organization has also awarded $500,000 of funds to Pearson Place, L.P. under the Home Investment Partnership Program (HOME). Dated December 1, 2005, the note accrues interest at a rate of 5% per annum and the balance of all unpaid principal and interest is due on December 31, 2035. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a first and second mortgage. As of December 31, 2008 and 2007, balance on the note was $500,000 and $495,000, respectively.

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

2009	$ 14,437
2010	15,263
2011	16,136
2012	17,015
2013	257,893
Thereafter	2,894,365
	$ 3,215,109

NOTE 4 - PENSION PLAN

The Organization has a 403(b) Plan (the "Plan") in which employees may participate upon their employment. Participants may contribute up to 20% of their pretax annual compensation to the Plan and the Organization may make discretionary contributions to the Plan on behalf of the employees. The participant is 100% vested immediately for any discretionary contributions and participant contributions. The Organization made no discretionary contributions to the Plan during the year ended December 31, 2008 or 2007.

NOTE 5 – LINES OF CREDIT – BANK

The Organization had a $100,000 line of credit with Irwin Union Bank. Interest was payable at prime plus 1.0% and was secured by grants receivables. At December 31, 2008 and 2007, the balance was zero.

NOTE 6 – LONG-TERM DEBT

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

	2008	2007
Note payable – adjustable rate beginning at 5.0% in December 2003, payable to Irwin Union Bank in monthly installments of $634 including interest and maturing in August 2010. Interest rate at December 2008 and 2007 was 4.25% and 8.25%.	$ 12,615	$ 19,717
Note payable – 7.0% note payable to Lincoln Bank dated October 24, 2005, payable in monthly installments of $4,360 with interest maturing in October 2010.	84,907	133,129
Note payable – 1% note payable to the Federal Home Loan Bank Affordable Housing Program (AHP) dated May 7, 1999, payable at maturity in May 2017.	235,732	235,732
Note payable – 1% note payable to Irwin Union Bank Home Investment Partnership Program (HOME) dated September 1, 1997, payable at maturity in September 2017	490,132	490,132
Note payable – 2.35% note payable to Indiana Housing Finance Authority HOME program, payable in semi-annual installments of $15,180 with interest maturing in July 2008.	-0-	328,269
Note payable – 5.5% note payable to Irwin Union Bank, payable in monthly installments of $2,676 with interest for 59 months and a final balloon payment due at maturity in October 2013.	320,745	-0-
Note payable – 1% note payable to the Federal Home Loan Bank AHP Program dated February 11, 2000, annual interest payments from the available cash flow of the affiliated housing project.	300,000	300,000
Note payable – 5.79% note payable to the Indiana Housing Finance Authority HOME program dated June 22, 1999, payments of principal and interest from the available cash flow of the affiliated housing project.	208,500	208,500

NOTE 6 – LONG-TERM DEBT (Continued)

	2008	2007
Note payable – 4.17% note payable to the Indiana Housing Finance Authority AHP Program dated July 30, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	360,000	360,000
Note payable – 4.65% note payable to the Federal Home Loan Bank AHP Program dated July 30, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	300,000	270,000
Note payable – 1% note payable to the Federal Home Loan Bank AHP Program dated December 1, 2005, annual interest payments from the available cash flow of the affiliated housing project.	500,000	500,000
Note payable – 5% note payable to Indiana Housing and Community Development Authority Home Investment Partnership Program (HOME) dated December 1, 2005, payments of principal and interest from the available cash flow of the affiliated housing project.	500,000	495,000

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

2009	$ 68,655
2010	58,566
2011	16,136
2012	17,015
2013	257,893
Thereafter	2,898,242
	$ 3,316,507

NOTE 7 – OPERATING LEASES

The Organization leases various facilities and equipment for operation of its programs. Rental expense included in the Consolidated Statements Of Activities for the year ended December 31, 2008 and 2007 was approximately $276,355 and $265,454, respectively.

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

NOTE 7 – OPERATING LEASES (continued)

2009	$ 188,027
2010	137,901
2011	33,848
2012	28,149
2013	23,215
Thereafter	179,447
	$ 590,587

NOTE 8 – TEMPORARILY RESTRICTED ASSETS

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

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

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

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS No. 157), defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

SFAS No. 157 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: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Organization holds shares in Wells Fargo & Company stock. These investments are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange.

NOTE 11 — CONTINGENT LIABILITY

A new program, Owner Occupied Rehabilitation, became available to the Organization's clients in 2005. In this program, low income persons can qualify for repairs and improvements of owner occupied residences. The Organization holds a mortgage equal to the amount of the repairs for e ach participating homeowner. These mortgages are forgivable if the mortgagor owns and occupies the mortgaged premises for at least thirty-six (36) months.

As of December 31, 2008, the Organization holds 22 mortgages with a total balance of $103,325. Allowing credit for those mortgages held for more than one year, makes the prorated balance as of December 31, 2008 equal $176,724. As of December 31, 2007, the Organization held 38 mortgages with a total balance of $553,313. Allowing credit for those mortgages held for more than one year, makes the prorated balance as of December 31, 2007 equal $337,660. While the Organization holds these zero percent forgivable mortgages, the anticipated future collections cannot be determined. Although these mortgages are secured by a lien on the homes, there is a possibility that the Organization may have to repay the governmental funds used under this program if the owner occupants do not occupy the homes for the thirty-six (36) month mandatory period. The final liability, if any, to be paid cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise as a result.

NOTE 12 – CONCENTRATION OF RISK

The Organization maintains its cash balances at a commercial bank. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 and $100,000 as of December 31, 2008 and 2007, respectively. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills. At December 31, 2008 and 2007, bank balances were $986,544 and $634,109, respectively, in excess of FDIC coverage.

NOTE 13 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements to conform to the 2007 presentation.

NOTE 14 – EXTRAORDINARY GAIN—FLOOD DAMAGE

On June 7, 2008, the Organization suffered a substantial loss due to flooding in the Columbus, Indiana area. The loss included 21 vehicles, of which 19 were completely inoperable. Many of these vehicles were totally depreciated but were still in use. The loss also included office equipment and damage to the interior of the Administration Building. As a result of the loss, the Organization received insurance proceeds and flood relief contributions. The extraordinary gain was comprised of:

Loss:	Vehicles (book values)	$ 9,273
	Equipment (book values)	26,053
	Building	100,610
Total Loss (book values):		135,936
Insurance Proceeds		306,035
Flood Relief Contributions		73,256
		$ 379,291
Extraordinary Gain		$ 243,355

SINGLE AUDIT SECTION

HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the Indiana State Department of Education:			
Women, Infants & Children	10.557	WIC 375-1	$ 294,661
USDA	10.558	01-03-0014	199,569
			494,230
U.S. Department of Housing and Urban Development			
Direct Program:			
Continuum of Care	14.235	IN36B402018	53,432
Transitional Housing	14.235	IN36B402010	28,026
Continuum of Care	14.235	IN36B702046	45,574
Transitional Housing	14.235	IN36B702045	13,833
			140,865
Passed through the Indiana Housing and Community Development Authority:			
Home Owner Occupied Rehabilitation	14.219	OR-007-013	178,922
Emergency Shelter Grants Program	14.231	ES-008-049	45,889
Low Income Housing Assistance Program	14.857	SH-006-002	2,766,888
			2,991,699
U.S. Department of Energy			
Passed through the Indiana Housing and Community Development Authority:			
Weatherization Assistance for Low-Income Persons	81.042	WX-007-013-02	268,109
Federal Emergency Management Agency			
Emergency Food and Shelter Program	83.523		48,857
U.S. Department of Health and Human Services			
Direct Program:			
Head Start Program	93.600	05CH-4176-43	2,939,722
Passed through the Indiana Housing and Community Development Authority:			
Low-Income Home Energy Assistance	93.568	LI-007-013-02	3,156,510
Community Services Block Grant	93.569	CS-007-013-02	367,702
			3,524,212
Passed through the Indiana Family Social Services Administration			
Child Care Development Fund	93.596	03-06-34-1678	234,200
U.S. Department of Housing and Urban Development			
Passed through the Indiana Finance Housing Authority:			
AHP Loan Funds - Jerman Housing, L.P.	14.239		360,000
HOME Loan Funds - Jerman Housing, L.P.	14.239		300,000
AHP Loan Funds - Oak Hill Apartments, L.P.	14.239		235,732
HOME Loan Funds - Oak Hill Apartments, L.P.	14.239		490,132
FHLB Loan Funds - Oak Hill Apartments II, L.P.	14.239		300,000
IHFA Loan Funds - Ridgecrest Limited, L.P.	14.239		208,500
AHP Loan Funds - Pearson Place, L.P.	14.239		500,000
HOME Loan Funds - Pearson Place, L.P.	14.239		500,000
			2,894,364
Total Expenditures of Federal Awards			13,536,258

See accompanying note to Schedule of Expenditures of Federal Awards

HUMAN SERVICES INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Human Services, Inc. and Subsidiary and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HUMAN SERVICES INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008

No matters were reported for the year ended December 31, 2007.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Human Services, Inc. and Subsidiary
Columbus, Indiana

We have audited the financial statements of Human Services, Inc. and Subsidiary (a nonprofit organization), as of and for the year ended December 31, 2008, and have issued our report thereon dated September 29, 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 Human Services, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control 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 accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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

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Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 29, 2009

COMER NOWLING AND ASSOCIATES, P.C.

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

To the Board of Directors
Human Services, Inc. and Subsidiary
Columbus, Indiana

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Services, Inc. and Subsidiary's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Human Services, Inc. and Subsidiary's compliance with those requirements.

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

Internal Control Over Compliance

The management of Human Services, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Human Services, Inc. and Subsidiary's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis in order to determine our auditing procedures for

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on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Human Services, Inc. and Subsidiary's ability to administer a major federal program such that there is more than a remote likelihood that the Organization's noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the 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 the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 29, 2009

HUMAN SERVICES INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED 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 ___ No _x_
- Significant deficiencies identified? Yes ___ No _x_

Noncompliance material to financial statements noted? Yes ___ No _x_

Federal Awards
Internal control over major programs:
- Material weakness(es) identified? Yes ___ No _x_
- Significant deficiencies identified? Yes ___ No _x_

Type of auditor's report issued: Unqualified

Any audit findings disclosed required to be reported in Accordance with Section 510(a) of Circular A-133 Yes___ No_x_

Program tested as major program:

CFDA Number	Name of Federal Program or Cluster
93.568	Dept. of Health and Human Services, Low-Income Energy Assistance Program
93.569	Dept. of Health and Human Services, Community Services Block Grant

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

Auditee qualified as low-risk auditee? Yes_x_ No___

Section II – Financial Statement Findings

There were no financial statement findings for the current year.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the current year.