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October 17, 2011

Board of Directors
Newton County Community Services, Inc.
4117 S. 240 W., Ste. 100, P.O. Box 140
Morocco, IN 47963

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 Newton County Community Services, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The Independent Auditor's Report makes mention of going concern considerations.

STATE BOARD OF ACCOUNTS

**Newton County
Community Services, Inc.**



**Financial Statements
For The Year Ended
December 31, 2008**



Certified Public Accountants

NEWTON COUNTY COMMUNITY SERVICES, INC
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BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newton County Community Services, Inc.
Morocco, Indiana

We have audited the accompanying statement of financial position of Newton County Community Services, Inc. (the "Organization") as of December 31, 2008 and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Newton County Community Services, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in notes 8 and 9 to the financial statements, the Organization has suffered significant delinquencies in accounts receivable during 2009 that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Comer, Nowling And Associates, P. C.

Comer, Nowling And Associates, P.C.
September 30, 2009

**NEWTON COUNTY COMMUNITY SERVICES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

ASSETS

CURRENT ASSETS:

Cash	\$ 113,827
Accounts receivable	20,490
	<hr/>
Total current assets	134,317

PROPERTY AND EQUIPMENT,

Net of accumulated depreciation	23,728
	<hr/>
Total assets	<u>\$ 158,045</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 6,504
Accrued expenses	425
	<hr/>
Total current liabilities	6,929

NET ASSETS:

Unrestricted	151,116
	<hr/>
Total liabilities and unrestricted net assets	<u>\$ 158,045</u>

See accompanying notes to financial statements.

**NEWTON COUNTY COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

REVENUE AND SUPPORT

Federal grant revenue	\$	332,454
State and local revenue		133,500
Program income		17,983
Contributions		23,611
Investment income		6
Other income		45,843
		553,397
Total revenue		553,397

EXPENSES

Program services		480,997
Management and general		110,914
		591,911
Total expenses		591,911

CHANGE IN NET ASSETS		(38,514)
NET ASSETS, BEGINNING OF YEAR		165,040
PRIOR PERIOD ADJUSTMENT		24,590
		151,116
NET ASSETS, END OF YEAR	\$	151,116

See accompanying notes to financial statements.

**NEWTON COUNTY COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
OPERATING EXPENSES:			
Salaries and benefits	\$ 268,755	\$ 67,189	\$ 335,944
Professional services	12,998	3,250	16,248
Rent	7,054	1,764	8,818
Insurance	18,384	4,596	22,980
Building maintenance	2,788	697	3,485
Utilities	41,604	10,401	52,005
Fuel	52,563	13,141	65,704
Telephone	10,549	2,637	13,186
Office equipment and repair	545	136	681
Office supplies	5,346	1,337	6,683
Computer supplies	5,472	1,368	6,840
Travel	10,560	2,640	13,200
Postage	1,412	353	1,765
Dues and registrations	180	45	225
Advertising	277	69	346
Beneficiary expenses	16,699	-	16,699
Program expenses	4,025	-	4,025
Vehicle maintenance	15,760	-	15,760
Depreciation	862	-	862
Miscellaneous	5,164	1,291	6,455
	<hr/>	<hr/>	<hr/>
Total expenses reported by function	<u>\$ 480,997</u>	<u>\$ 110,914</u>	<u>\$ 591,911</u>

See accompanying notes to financial statements.

**NEWTON COUNTY COMMUNITY SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (38,514)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation expense	862
Increase (decrease) in cash from changes in:	
Accounts receivable	134,002
Prepaid lease	3,836
Accounts payable	(4,194)
Accrued expenses	<u>425</u>
Net cash provided by operating activities	<u>96,417</u>
NET INCREASE IN CASH	96,417
CASH , BEGINNING OF YEAR	<u>17,410</u>
CASH , END OF YEAR	<u><u>\$ 113,827</u></u>

See accompanying notes to financial statements.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Newton County Community Services, Inc. (the Organization) is a community based non-profit corporation organized in 1974. The Organization's mission is to identify the problems of the aged citizens and other citizens in need in Newton County, Indiana and to propose solutions to the problems identified. This is accomplished by working in conjunction with the Indiana Commission on the Aging and Aged, and residents, agencies and organizations within Newton County. It is the goal to solve these problems by developing public awareness of the needs of the aging and other citizens in Newton County, and by assisting those who may be sick, disabled or destitute.

BASIS OF ACCOUNTING

The financial statements of Newton County Community Services, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

TAX STATUS

The Organization has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the internal Revenue Code as a tax-exempt organization. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

SUPPORT AND REVENUE

The Organization receives grants from pass through agencies that originated with 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 appropriate records of services provided to eligible individuals. 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. Additionally, the Organization receives Medicaid funding. The Medicaid revenue is recognized as earned as eligible services are provided.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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 and disclosures of 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.

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. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

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.

For the year ended December 31, 2008, the Organization did not have temporarily or permanently restricted assets.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions for professional services on the 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 which create or enhance non-financial assets or that require specialized skills by the individual possessing those skills, and would typically need to be purchased if not provided by donation be recorded. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of amounts due from pass through agencies for services provided under contracts. The Organization considers all amounts to be fully collectable. Accounts receivable at December 31, 2008, consisted of:

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – ACCOUNTS RECEIVABLE (continued)

Northwest Indiana Community Action Agency	\$ 9,459
Client fees	10,887
Other	<u>144</u>
	<u>\$ 20,490</u>

NOTE 3 – PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment. Property and equipment are carried at cost and contributed property and equipment is recorded at fair value at the date of donation. The following is a summary of the useful lives for each class of asset:

Buildings and improvements	39 years
Equipment	3-10 years
Vehicles	3-5 years

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. Depreciation is recorded by the straight-line method over estimated useful lives of the assets. Depreciation expense for 2008 amounted to \$862.

The Organization's property is as follows at December 31, 2008:

Land	\$ 8,400
Building	<u>33,600</u>
	42,000
Less : Accumulated depreciation	<u>(18,272)</u>
Total	<u>\$ 23,728</u>

Vehicles for transportation services are acquired through the Newton County Commissioners through the Kankakee-Iroquois Regional Planning Commission (KIRPC). Vehicles are acquired in accordance with the Federal Sec 5311 Rural Public Transit Program (Sec 5311). Sec 5311 requires the Commissioners to pay 20% of the vehicle cost. KIRPC retains the title to these vehicles for their useful life of 4 years or 100,000 miles. At that time, title transfers to the Newton County Commissioners and the vehicles are generally sold by the county at auction. Newton County Community Services never holds title to these vehicles.

Furniture and equipment owned by the Organization are of minimal value and have not been recorded in prior years. Since the furniture and equipment would have been fully depreciated, no prior year adjustment was made. A prior year adjustment was made to record the building and land and is detailed in Note 7.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4 – CONCENTRATION OF CREDIT RISK AND MAJOR SOURCES OF REVENUE

Newton County Community Services, Inc. maintains cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization did not have any amounts that were over the insured limit at December 31, 2008.

NOTE 5 – STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (SFAS) - 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 6 – OPERATING LEASES

The Organization leases a copier for use in the operation of its programs. The Organization entered into this 60-month lease agreement effective January 1, 2008. A lease agreement for another copier expired in September 2008. Lease expense for the year ended December 31, 2008 was \$6,403. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2009 are as follows:

2009	\$ 3,120
2010	3,120
2011	3,120
2012	<u>3,120</u>
	<u>\$ 12,480</u>

NOTE 7 – PRIOR PERIOD ADJUSTMENT

During the audit for the year ended December 31, 2008, it was determined that a building owned by the Organization since 1987 was not recorded nor had the related depreciation expense for the building been recorded in the Organization's financial statements. A portion of this building, which is subdivided into two parcels, was donated and the remainder was purchased by the Organization. The effect of this adjustment is to increase beginning net assets and property by the net book value of \$24,590.

NEWTON COUNTY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8 – SUBSEQUENT EVENT

At the audit report date, September 30, 2009, significant accounts receivable have become delinquent. The monthly funding that comes from the Newton County Commissioners has not been paid in August or September 2009, and the reimbursement funding for services provided for Section 5311 Transportation have been not been paid for the second or third quarters of 2009. These delinquencies have severely impacted the Organization's cash flow.

NOTE 9—GOING CONCERN

The Organization had a net operating loss of \$38,514 for the year ended December 31, 2008. At that time, their current ratio of current assets divided by their current liabilities was positive. However, due to the subsequent event described in Note 8, the Organization's cash flow has been jeopardized and some services may have to be discontinued. This loss and jeopardized cash flow raises substantial doubt about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management Response: Newton County Community Services is working diligently for the release of the 5311 Transportation Funding and for the Landfill Gift of Money from the Newton County Commissioners.

NOTE 10—RELATED PARTY TRANSACTIONS

A board member of the Organization is also a Newton County Commissioner. The Organization receives direct funding and pass-through funding from the Newton County Commissioners. During the year ended December 31, 2008, the Organization received \$438,086 from the Newton County Commissioners.

Additionally, the Organization is contracted as the intake/eligibility site for the Child Care Development Fund (CCDF) in Newton county. One board member owns a day care facility that receives CCDF funding.