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November 10, 2011

Board of Directors  
Bridge Community Services, Inc.  
318 W. Eighth Street  
Muncie, IN 47302

We have reviewed the audit report prepared by Summers, Carroll, Whisler, LLC, Independent Public Accountants, for the period June 1, 2008 to May 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 Bridges Community Services, Inc., as of May 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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
BRIDGES COMMUNITY SERVICES, INC.  
MAY 31, 2009**

## C O N T E N T S

### INDEPENDENT AUDITORS' REPORT

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



# Summers, Carroll, Whisler *LLC*

*Certified Public Accountants*

## Independent Auditors' Report

### **Board of Directors Bridges Community Services, Inc.**

We have audited the accompanying statement of financial position of Bridges Community Services, Inc. (a nonprofit organization) as of May 31, 2009, and the related statements of activities, cash flow, and functional expenses for the year then ended. These financial statements are the responsibility of the Organizations' 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 Bridges Community Services, Inc. as of May 31, 2009, and the changes in their net assets and their cash flow 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 October 19, 2009 on our consideration of Bridges Community Services, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Bridges Community 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.

*Summers, Carroll, Whisler LLC*

Muncie, Indiana  
October 22, 2009

**Bridges Community Services, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**May 31, 2009**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 13,943
Promises to give	5,000
Accounts receivable	2,384
	<hr/>
Total current assets	21,327
<b>PROPERTY AND EQUIPMENT</b>	
Building and land	1,304,101
Furnishing	46,829
Vehicles	41,584
Equipment	47,431
	<hr/>
	1,439,945
Less accumulated depreciation	346,669
	<hr/>
	1,093,276
<b>OTHER ASSETS</b>	
Notes receivable, net annual amortization	7,666
Property investments	87,777
Other assets	589
	<hr/>
	96,032
	<hr/>
	<u>\$ 1,210,635</u>

The accompanying notes are an integral part of this statement.

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Tenant deposits	\$ 4,892
Accounts payable	1,986
Line-of-credit	22,500
Current maturities of long-term debt	26,475
Accrued payroll and liabilities	15,052

Total current liabilities 70,905

**LONG-TERM LIABILITIES**

Long-term debt, less current maturities	248,405
Contingent liability	241,500

489,905

Total liabilities 560,810

**NET ASSETS**

Unrestricted net assets	644,825
Temporarily restricted net assets	5,000

649,825

\$ 1,210,635

## Bridges Community Services, Inc.

## STATEMENT OF ACTIVITIES

Year Ended May 31, 2009

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Grants	\$ 371,238	\$ 5,000	\$ 376,238
Contributions	15,583		15,583
Total public support	386,821	5,000	391,821
Revenue			
Rental income	63,847		63,847
Program fees	14,192		14,192
Miscellaneous income	6,008		6,008
Loss on disposal of assets	(2,989)		(2,989)
Total revenue	81,058		81,058
Total public support and revenue	467,879	5,000	472,879
Expenses			
Transitional Housing Program	405,027		405,027
Management and General	146,318		146,318
	551,345		551,345
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(83,466)	5,000	(78,466)
Net assets at beginning of year	728,291		728,291
Net assets at end of year	\$ 644,825	\$ 5,000	\$ 649,825

The accompanying notes are an integral part of this statement.

## Bridges Community Services, Inc.

## STATEMENT OF CASH FLOW

Year Ended May 31, 2009

Cash flow from operating activities:	
Decrease in net assets	\$ (78,466)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	42,097
Amortization	13,114
Loss on sale of assets	2,989
Donated assets received	(5,000)
(Increase) decrease in assets:	
Receivables	(3,508)
Inventory	2,400
Increase (decrease) in liabilities:	
Payables	(612)
Tenant deposits	260
Accrued payroll and liabilities	7,018
	<hr/>
Net cash used in operating activities	(19,708)
Cash flow from investing activities:	
Proceeds from sale of property and equipment	2,300
Purchase of property and equipment	(253,357)
	<hr/>
Net cash used in investing activities	(251,057)
Cash flow from financing activities:	
Proceeds from issuance of long-term debt	19,247
Developer's fees from HOME grant/loan	11,500
Proceeds from HOME grant/loan	230,000
Principal payments on long-term debt	(24,841)
Net borrowing under line-of-credit	500
	<hr/>
Net cash provided by financing activities	236,406
	<hr/>
Net decrease in cash and cash equivalents	(34,359)
Cash and cash equivalents at beginning of year	48,302
	<hr/>
Cash and cash equivalents at end of year	\$ 13,943
	<hr/> <hr/>
Interest paid	\$ 22,963
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**Bridges Community Services, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended May 31, 2009**

	<b>Transitional Housing Program</b>	<b>Management and General</b>	<b>Total</b>
Wages	\$ 171,968	\$ 73,701	\$ 245,669
Payroll taxes	14,509	6,218	20,727
Employee benefits	27,530	11,799	39,329
Advertising	1,674		1,674
Bad debt	2,754		2,754
Client services	14,800		14,800
Insurance	17,879	7,663	25,542
Interest	16,074	6,889	22,963
Office supplies and expense	9,032	3,871	12,903
Professional fees	506	5,775	6,281
Real estate taxes	244	104	348
Repairs and maintenance	16,607	7,117	23,724
Travel		3,358	3,358
Utilities and telephone	39,694	17,012	56,706
Program expenses	11,396		11,396
Miscellaneous	5,572	2,388	7,960
Depreciation	41,674	423	42,097
Amortization	115		115
First-time home buyer amortization expense	12,999		12,999
	<u>\$ 405,027</u>	<u>\$ 146,318</u>	<u>\$ 551,345</u>

The accompanying notes are an integral part of this statement.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2009

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Bridges Community Services, Inc. is a non-profit organization whose primary purpose is to develop, coordinate, and provide housing, social services, and educational programs for low- and moderate-income residents of Muncie, Indiana, which will lead to economic independence and homeownership opportunities. Support consists primarily of grants from public and private organizations.

Bridges Community Services, Inc. is a non-profit organization qualifying under Section 501(c)(3) of the Internal Revenue Code. As such, it is not liable for federal and state income taxes and no liability for such taxes appears in these statements.

2. Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and 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. In addition, the Organization is required to present a statement of cash flow.

3. Cash and Cash Equivalents

The Organization maintains cash in accounts at local financial institutions which are insured by agencies of the U.S. Government. For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

4. Receivables

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Should management deem any receivables to be uncollectible, the outstanding balance is written off to bad debt. Amounts written off to bad debts have been immaterial to the financial statements.

5. Property and Equipment

The Organization capitalizes all expenditures for property in service and equipment in excess of \$1,000. Property and equipment are recorded at fair market value at date of donation or at cost if purchased. Depreciation is computed by the straight-line method over useful lives ranging from five to forty years. Upon retirement or sale of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if applicable, is recorded.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2009

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Property Investments

Property investments consist of real estate and are carried at cost if purchased. Donated properties are reflected as contributions at their estimated market values at the date of receipt. Property investments which are transferred to in-service property are depreciated beginning at the in-service date. Major improvements to the real estate are also then capitalized.

7. Public Support and Revenue

In accordance with *Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made,"* contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grant revenue is recognized in the period the related expenses are incurred.

Program service fees (rental income) are recognized when the service has been provided. Rents receivables are written off to bad debts if and when management deems they are uncollectible.

Grant revenue that is restricted by the grantor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grant revenue is recognized. All other donor-restricted support is 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.

8. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

9. Donated Materials and Services

Donated materials, equipment and services, when received and measurable, are reflected as contributions in the accompanying financial statements at their estimated fair market value at date of receipt.

10. Functional Expenses

Functional expenses, if not directly traceable, have been allocated between program services and supporting services, based on an analysis of personnel time utilized for the related activities.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2009

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Compensated Absences

Full-time employees are entitled to paid vacations of one week after one year of employment and two weeks thereafter; however, an accrual has not been made as an amount cannot be easily estimated.

12. Advertising Costs

Advertising costs are expensed as incurred and included in functional expenses. Advertising expense totaled \$1,674 for the year ended May 31, 2009.

13. Use of 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.

## NOTE B - UNCONDITIONAL PROMISES TO GIVE

The amount due from a funding source consists of a grant in the amount of \$5,000. Uncollectible promises are expected to be insignificant. The amount from this funding source at May 31, 2009 is due within one year.

## NOTE C - NOTES RECEIVABLE

In September 2005, Bridges Community Services, Inc. entered into two forgivable loans with a first-time home buyer in the amounts of \$5,000 and \$14,999 with 0% per annum interest rate thereon. The principal amount was to be amortized over a five-year loan period. In the event of default within the five-year period, the amount unamortized, along with a 10% per annum interest, would have been due to Bridges Community Services, Inc. During the year ending May 2009, the first-time home buyers defaulted upon their loan with the bank for this property and the bank repossessed the property. Bridges Community Services, Inc. did not pursue recourse against the home buyers. The amount amortized for the year ending May 31, 2009 was \$8,999, which removes the loan from Bridges Community Service's, Inc.'s books.

In May 2006, Bridges Community Services, Inc. entered into two forgivable loans with a first-time home buyer in the amounts of \$5,000 and \$14,999 with 0% per annum interest rate thereon. The principal amount shall be amortized over a five-year loan period. In the event of default within the five-year period, the amount unamortized, along with a 10% per annum interest, will be due to Bridges Community Services, Inc. The amount amortized for the year ending May 31, 2009 was \$4,000.

## NOTE D - LINE OF CREDIT

As of May 31, 2009, the Organization had a line of credit which expires August 27, 2009. Advances are received by the Organization under the agreement, up to a maximum of \$25,000. Advances are due to be repaid at maturity. Interest is payable twice monthly and accrues at a rate that fluctuates with prime. The interest rate at May 31, 2009 was 8.00%. The Organization had an outstanding balance of \$22,500 on the line of credit as of May 31, 2009. This line of credit is secured by property located in Muncie, Indiana.

## Bridges Community Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

May 31, 2009

**NOTE E - LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following at May 31, 2009.

Mortgages payable, bank, secured by certain real estate in Muncie, Indiana and various assignments of rents, due in monthly installments totaling \$4,208, including variable interest rates varying between 4.50% to 8.50% and maturing from 2009 to 2021	<u>\$274,880</u>
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Annual maturities for the five years ending May 31 are as follows.

May 31, 2010	\$ 26,475
2011	49,564
2012	57,808
2013	62,739
2014	11,402
2015 and thereafter	<u>66,892</u>
	<u>\$274,880</u>

**NOTE F – CONTINGENT LIABILITY**

Bridges Community Services, Inc. received a HOME grant/forgivable loan in the amount of \$241,500 from the City of Muncie, Indiana's Department of Community Development. The term of the HOME grant/forgivable loan is fifteen years, which began on February 27, 2009, the date of the final disbursement of loan proceeds. As per the HOME grant/forgivable loan agreement, these funds need not be paid back provided there is no default of any of the provision of said agreement. As allowable by said agreement, the loan is forgiven on the fifteenth anniversary date of the financial disbursement of the loan proceeds and shall, therefore, be forgiven in its entirety on February 27, 2024.

**NOTE G - RESTRICTIONS ON ASSETS**

Temporarily restricted net assets consist of an unconditional promise to give in the form of a grant from a local Foundation to be used for homeless prevention training.

Temporarily restricted net assets are available as follows.

Grant for training	<u>\$5,000</u>
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**NOTE H - DONATED MATERIALS AND SERVICES**

The value of donated materials meeting the requirements for recognition in the financial statements was \$4,676. Donated services did not meet the requirements for recognition in the financial statements and have not been recorded.

**Bridges Community Services, Inc.****NOTES TO FINANCIAL STATEMENTS**

May 31, 2009

**NOTE I - INTEREST EXPENSE**

Interest costs totaling \$22,963 were incurred during the year ended May 31, 2009. No interest costs were capitalized as part of the costs of assets acquired during the year.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

The Organization is subject to laws and regulations relating to the protection of the environment. The Organization's policy is to accrue environmental and cleanup-related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Organization's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the Organization.

The Organization owns various properties that were purchased with HOME funds received via forgivable loans from the City of Muncie, Indiana's Community Development. These forgivable loans require these properties to provide housing for low- and moderate-income residents over the period of amortization.

The Organization owns property at 2015 South Penn, Muncie, Indiana that was donated by the City of Muncie, Indiana's Community Development, and the city holds a mortgage on the property for real estate taxes paid by the city prior to the donation. Upon the sale of the property to a first-time home buyer, the city will release the lien on the property.

The Organization owns property at 1420 South Liberty, Muncie, Indiana that was rehabilitated using HOME funds received via a forgivable loan from the City of Muncie, Indiana's Community Development. The city holds a mortgage securing payment of this forgivable loan during the period of amortization.

The Organization, as lessor, has entered into lease purchase agreements for various properties it owns. The option periods for these agreements terminate on a range of dates between December 2008 and November 2009; however, during the year ending May 31, 2009, these lessees were granted a two-year extension on their termination dates. Within these purchase agreements, the Organization has committed to providing forgivable loans secured with second mortgages to the lessees. The majority of these forgivable loans' funds are available to the lessee via a governmental first-time home buyer program.

SUPPLEMENTAL INFORMATION

**Bridges Community Services, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended May 31, 2009**

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Contract Number</u>	<u>Federal Expenditure</u>
<b>Department of Housing and Urban Development</b>			
Supportive Housing Program	14.235	IN36B502020	\$ 255,255
Pass-through programs from:			
Muncie, Indiana Community Development Office:			
Community Development Block Grant: Transitional Housing	14.218		30,558
HOME Investment Partnerships Program	14.239		248,454
Indiana Housing and Community Development Authority:			
Emergency Shelter Grant Program	14.231	ES-008-007	35,807
Total Department of Housing and Urban Development			570,074
<b>Department of Homeland Security</b>			
Pass-through from:			
United Way of Delaware County:			
Emergency Food and Shelter Program	97.024		7,500
<b>Total expenditures of federal awards</b>			<b>\$ 577,574</b>

**Bridges Community Services, Inc.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

**Year Ended May 31, 2009**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bridges Community Services, Inc. and is presented on the cash basis of accounting, and accordingly, represents the total cash expended for the programs. It does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the federal programs.

## Bridges Community Services, Inc.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2009

1. The auditors' report expresses an unqualified opinion on the financial statements of Bridges Community Services, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Financial Statements and Schedule of Federal Awards."
3. No instances of noncompliance material to the financial statements of Bridges Community Services, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133."
5. The auditors' report on compliance for Bridges Community Services, Inc. expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Bridges Community Services, Inc.
7. The programs tested as major programs included:

<u>CFDA #</u>	<u>Name of Program</u>
14.235	Supportive Housing Program
14.239	HOME Investment Partnerships Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bridges Community Services, Inc. did not qualify as a low-risk auditee.

SPECIAL REPORTS



# Summers, Carroll, Whisler *LLC*

*Certified Public Accountants*

**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**

**Board of Directors  
Bridges Community Services, Inc.**

We have audited the financial statements of Bridges Community Services, Inc. (a nonprofit organization) as of and for the year ended May 31, 2009, and have issued our report thereon dated October 19, 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 Bridges Community 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 Bridges Community 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 a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridges Community 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*.

We noted certain other matters that we reported to management of Bridges Community Services, Inc. in a separate letter dated October 22, 2009.

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

*Summers, Carroll, Whisler L L C*

Muncie, Indiana  
October 22, 2009



# Summers, Carroll, Whisler *LLC*

*Certified Public Accountants*

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

**Board of Directors  
Bridges Community Services, Inc.**

### Compliance

We have audited the compliance of Bridges Community Services, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended May 31, 2009. Bridges Community Services, Inc.'s major federal programs are identified in the summary of auditors' 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 Bridges Community Services, Inc.'s management. Our responsibility is to express an opinion on Bridges Community 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 Bridges Community 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 Bridges Community Services, Inc.'s compliance with those requirements.

In our opinion, Bridges Community 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 May 31, 2009.

### Internal Control Over Compliance

The management of Bridges Community 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 Bridges Community Services, Inc.'s internal control over compliance with 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 Bridges Community 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 a 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 the 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 the Board of Directors, management, the Indiana State Board of Accounts 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.

*Summus, Carroll, Whisler L L C*

Muncie, Indiana  
October 22, 2009