

FAMILY & CHILDREN'S SERVICES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008

With Summarized Information for June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family & Children's Services, Inc.
Fort Wayne, Indiana

We have audited the accompanying statement of financial position of Family & Children's Services, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and in our report dated October 16, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Family & Children's Services, Inc. as of June 30, 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
September 18, 2008

FAMILY & CHILDREN'S SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2008 with Summarized Information for June 30, 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 19,345	\$ 60,876
Receivables:		
Pledges - net	65,000	132,150
Claims	2,556	14,325
Program fees - net of allowance for doubtful accounts of \$2,000 (2008 and 2007)	20,141	17,014
Other	5,973	5,399
Prepaid expenses	7,817	6,633
Investments	3,200	2,842
Beneficial interest	31,257	33,905
Fixed assets - net	<u>428,936</u>	<u>453,934</u>
Total Assets	<u><u>\$ 584,225</u></u>	<u><u>\$ 727,078</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and withholdings	\$ 7,746	\$ 5,011
Accrued expenses	<u>50,541</u>	<u>69,909</u>
Total Liabilities	58,287	74,920
Net Assets:		
Unrestricted net assets	419,058	490,840
Temporarily restricted net assets	95,610	150,048
Permanently restricted net assets	<u>11,270</u>	<u>11,270</u>
Total Net Assets	<u>525,938</u>	<u>652,158</u>
Total Liabilities and Net Assets	<u><u>\$ 584,225</u></u>	<u><u>\$ 727,078</u></u>

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S SERVICES, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008 with Summarized
Information for the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenues and Gains:		
Contributions	\$ 87,043	\$ 22,650
United Way	2,869	200,000
Grants - federal	19,663	37,842
Counseling fees	281,294	-
Special events:		
Proceeds	14,777	-
Less: Cost of direct benefit to donors	(1,200)	-
Contracted service fees	78,666	-
Investment revenue	2,471	-
Gain on investments and beneficial interest	-	-
Miscellaneous	470	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	237,842	(237,842)
Satisfaction of purchase requirements	9,938	(9,938)
Satisfaction of time requirements	67,150	(67,150)
	800,983	(54,438)
 Expenses and Losses:		
Counseling	675,206	-
Management and general	165,811	-
Fund raising	28,487	-
Loss on investments and beneficial interest	3,261	-
Loss on disposal of fixed assets	-	-
	872,765	-
 CHANGE IN NET ASSETS	(71,782)	(54,438)
 NET ASSETS - beginning of year	490,840	150,048
 NET ASSETS - end of year	\$ 419,058	\$ 95,610

The accompanying notes are an integral part of these financial statements.

Permanently Restricted	2008	2007
\$ -	\$ 109,693	\$ 57,595
-	202,869	204,192
-	57,505	68,423
-	281,294	303,697
-	14,777	12,571
-	(1,200)	(1,120)
-	78,666	109,662
-	2,471	4,645
-	-	4,031
-	470	-
-	-	-
-	-	-
-	-	-
-	746,545	763,696
-	675,206	657,275
-	165,811	163,000
-	28,487	22,718
-	3,261	-
-	-	999
-	872,765	843,992
-	(126,220)	(80,296)
11,270	652,158	732,454
<u>\$ 11,270</u>	<u>\$ 525,938</u>	<u>\$ 652,158</u>

FAMILY & CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008 with Summarized Information
for the Year Ended June 30, 2007

	Counseling	Management and General	Fund Raising
Salaries	\$ 459,898	\$ 126,125	\$ 18,646
Employee health and retirement benefits	57,513	12,913	2,790
Payroll taxes	<u>33,289</u>	<u>8,839</u>	<u>1,272</u>
Total Salaries and Related Expenses	550,700	147,877	22,708
Professional fees	15,524	7,036	4,614
Equipment rental and maintenance	17,029	1,443	146
Insurance	14,716	1,696	183
Utilities	11,225	947	44
Supplies	11,280	424	235
Telephone	6,596	660	24
Publicity and promotions	6,702	287	159
Dues and fees	6,252	228	81
Bad debts	1,897	2,000	-
Conferences and conventions	2,372	674	36
Miscellaneous	2,369	88	27
Postage and shipping	2,284	101	56
Travel	1,336	266	78
Interest	<u>-</u>	<u>30</u>	<u>-</u>
Total Expenses Before Depreciation	650,282	163,757	28,391
Depreciation	<u>24,924</u>	<u>2,054</u>	<u>96</u>
Total Expenses	<u><u>\$ 675,206</u></u>	<u><u>\$ 165,811</u></u>	<u><u>\$ 28,487</u></u>

The accompanying notes are an integral part of these financial statements.

2008	2007
\$ 604,669	\$ 591,739
73,216	60,092
<u>43,400</u>	<u>41,011</u>
721,285	692,842
27,174	29,192
18,618	16,986
16,595	14,832
12,216	11,346
11,939	11,184
7,280	6,826
7,148	6,123
6,561	12,157
3,897	2,404
3,082	4,122
2,484	2,010
2,441	2,758
1,680	2,072
<u>30</u>	<u>-</u>
842,430	814,854
<u>27,074</u>	<u>28,139</u>
<u>\$ 869,504</u>	<u>\$ 842,993</u>

FAMILY & CHILDREN'S SERVICES, INC.
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2008 with Summarized
Information for the Year Ended June 30, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (126,220)	\$ (80,296)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	27,074	28,139
Provision for bad debts	3,897	2,404
(Gain) loss on investments and beneficial interest	3,261	(4,031)
Loss on disposal of fixed assets	-	999
Contributions restricted to long-term purposes	(10,150)	-
Change in beneficial interest	(971)	(1,042)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	71,321	34,009
Prepaid expenses	(1,184)	(582)
Increase (decrease) in:		
Accounts payable and withholdings	2,735	1,932
Accrued expenses	(19,368)	3,995
Cash Flows From Operating Activities	(49,605)	(14,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,076)	(18,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	10,150	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,531)	(33,086)
CASH AND CASH EQUIVALENTS - beginning of year	60,876	93,962
CASH AND CASH EQUIVALENTS - end of year	\$ 19,345	\$ 60,876

The accompanying notes are an integral part of these financial statements.

FAMILY & CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization is a nonprofit voluntary health and welfare organization which provides addiction, sexual abuse, employee assistance and other counseling services to low-income adults, children and families in the community.

Family and Children's Services, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the 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. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

For unemployment compensation purposes, the Organization has elected to reimburse the State of Indiana for claims made. Such reimbursements are charged to expense as they are paid.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization bills Medicaid, Medicare and other third-party payers for clinical services rendered. Receivables are recorded for the full value of services provided with a related discount recorded based upon historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables.

In addition, the Organization provides an allowance for doubtful accounts which is based on historical collection experience and management's estimate of losses that will be incurred in the collection of the discounted receivables.

Investments are carried at fair value. All of the investments have readily determinable fair values. Fair value is determined by the closing value of the stock at June 30, 2008 as published by the Wall Street Journal.

Land, buildings and equipment are stated at cost or, if donated, at fair value at the date received. The cost of the buildings and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line and accelerated methods for financial reporting purposes. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. All items with a cost in excess of \$500 and a useful life in excess of one year are capitalized.

In-kind contributions of services, which meet the criteria for recognition, equipment and supplies are recorded at their fair market value and recognized as support and expense or capital assets at the date received.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Certain reclassifications have been made to conform prior year's financial statements to the current presentation. The reclassifications have no effect on previously reported operational results.

2. PLEDGES RECEIVABLE

All pledges receivable are due within one year.

3. INVESTMENTS

Investments totaling \$3,200 at June 30, 2008 consist of equity securities.

4. BENEFICIAL INTEREST

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne which are the result of an agreement whereby the Organization has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds other investment assets, with a value of \$7,266 at June 30, 2008, for the benefit of the Organization for which it has retained variance power. These assets are not recorded as assets of the Organization.

5. FIXED ASSETS

The components of fixed assets as of June 30, 2008 are as follows:

Land	\$ 28,000
Buildings	635,277
Equipment	<u>123,747</u>
	787,024
Accumulated depreciation	<u>360,164</u>
	426,860
Construction in process	<u>2,076</u>
	<u>\$ 428,936</u>

6. LINE OF CREDIT

The Organization has available at June 30, 2008 an \$100,000 line of credit with Tower Bank. Interest, which is computed monthly on the unpaid balance, is 5.00%. No amount was outstanding on the line as of June 30, 2008.

7. NET ASSETS

Temporarily restricted net assets as of June 30, 2008 are restricted for the following purposes:

Program requirements	\$ 13,717
Time requirements	65,000
Purchase requirements	<u>16,893</u>
	<u>\$ 95,610</u>

Permanently restricted net assets in the amount of \$11,270 are held at the Community Foundation of Greater Fort Wayne and are invested in perpetuity with income available for any activity of Family & Children's Services, Inc.

8. INTENTION TO GIVE

The Organization has received an indication of an intention to give in the amount of \$100,000 from the United Way of Allen County. The expected funding is to be used for operations of the fiscal year ended June 30, 2009 and has not been recorded as an asset of the Organization as of June 30, 2008.

9. RETIREMENT PLAN

The Organization sponsors an employee savings plan under Section 401(k) of the Internal Revenue Code. The plan covers all employees who are at least 21 years of age and have completed one year of employment. Contributions to the plan by the Organization are at the discretion of the board of directors up to the maximum allowable by the Internal Revenue Service. Expense charged to operations for the plan in 2008 was \$10,000.

10. CONCENTRATIONS AND CREDIT RISK

The Organization grants credit for its services to individuals and employers in the Fort Wayne, Indiana area and to third-party payors.

Family and Children's Services, Inc. receives a significant amount of its support from United Way of Allen County. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities.

11. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Cash used in operating activities includes interest paid of \$30.

12. LEASES

The Organization leases equipment under an operating lease expiring in 2009. Total rental expense for the year was \$867.

Minimum future rental payments under noncancelable operating leases as of June 30, 2008 for each of the next five years and in the aggregate are:

2008	\$	420
2009		210
2010 and thereafter		<u>-</u>
	\$	<u><u>630</u></u>