

Financial and Compliance Report

Family and Community Services, Inc.

June 30, 2005

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BRUNER-COX LLP

Business Consultants & Certified Public Accountants

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SECTION 1

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

FAMILY AND COMMUNITY SERVICES, INC.

JUNE 30, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family and Community Services, Inc.
Kent, Ohio

We have audited the accompanying statements of financial position of Family and Community Services, Inc. as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended and statements of functional expenses for the year ended June 30, 2005. These financial statements are the responsibility of Family and Community Services, Inc.'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 audits 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 Family and Community Services, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2005 on our consideration of Family and Community Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 should be read in conjunction with this report and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements 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 respects, in relation to the basic financial statements taken as a whole.

Bruner • Cox, LLP

October 4, 2005

STATEMENTS OF FINANCIAL POSITION
FAMILY AND COMMUNITY SERVICES, INC.

June 30, 2005 and 2004

	Unrestricted	Temporarily restricted	Total 2005
ASSETS			
Current assets			
Cash and cash equivalents	\$ 212,306	\$ 374,103	\$ 586,409
Receivables	918,543	226,436	1,144,979
Investments	90,096	11,605	101,701
Deposits	33,940	-	33,940
Total current assets	1,254,885	612,144	1,867,029
Property and equipment, net of accumulated depreciation	2,524,154	-	2,524,154
Total assets	\$ 3,779,039	\$ 612,144	\$ 4,391,183
LIABILITIES AND NET ASSETS			
Current maturities of long-term debt	\$ 36,965	\$ -	\$ 36,965
Accounts payable	132,548	-	132,548
Accrued expenses	48,846	-	48,846
Deferred revenue	72,613	-	72,613
Total current liabilities	290,972	-	290,972
Long-term debt, net of current maturities	707,186	-	707,186
Net assets			
Unrestricted	2,780,881	-	2,780,881
Temporarily restricted	-	612,144	612,144
	2,780,881	612,144	3,393,025
Total liabilities and net assets	\$ 3,779,039	\$ 612,144	\$ 4,391,183

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

Unrestricted	Temporarily restricted	Total 2004
\$ 343,913	\$ 269,233	\$ 613,146
827,942	248,489	1,076,431
82,656	11,605	94,261
27,793	-	27,793
1,282,304	529,327	1,811,631
2,648,135	-	2,648,135
<u>\$ 3,930,439</u>	<u>\$ 529,327</u>	<u>\$ 4,459,766</u>
\$ 34,734	\$ -	\$ 34,734
76,574	-	76,574
60,513	-	60,513
92,412	-	92,412
264,233	-	264,233
746,895	-	746,895
2,919,311	-	2,919,311
-	529,327	529,327
<u>2,919,311</u>	<u>529,327</u>	<u>3,448,638</u>
<u>\$ 3,930,439</u>	<u>\$ 529,327</u>	<u>\$ 4,459,766</u>

STATEMENTS OF ACTIVITIES

FAMILY AND COMMUNITY SERVICES, INC.

For the years ended June 30, 2005 and 2004

	Unrestricted	Temporarily restricted	Total 2005
SUPPORT AND REVENUE			
United Way	\$ 349,688	\$ -	\$ 349,688
Government/state/local grants	3,854,370	-	3,854,370
Contributions	456,811	83,897	540,708
Program service fees	686,561	-	686,561
Interest income	5,122	-	5,122
Investment income	8,702	1,555	10,257
Gain on sale of asset	-	-	-
Miscellaneous	126,266	-	126,266
	<u>5,487,520</u>	<u>85,452</u>	<u>5,572,972</u>
NET ASSETS RELEASED FROM RESTRICTION			
	2,635	(2,635)	-
	<u>5,490,155</u>	<u>82,817</u>	<u>5,572,972</u>
EXPENSES			
Program Expenses			
Counseling	548,555	-	548,555
Housing and Rental Units	642,605	-	642,605
Consumer Credit Counseling Service	247,804	-	247,804
Hot Meals	506,902	-	506,902
Senior Services	747,200	-	747,200
Americorp	186,065	-	186,065
Vista	33,340	-	33,340
Safer Futures	292,909	-	292,909
Place of Peace	139,483	-	139,483
Clothing Closet	102,457	-	102,457
Emergency Financial Assistance	464,099	-	464,099
Day Care	151,568	-	151,568
HomeBased	286,206	-	286,206
SchoolBased	183,760	-	183,760
Smoking Cessation	185,546	-	185,546
Community Centers	325,126	-	325,126
Miller House	200,042	-	200,042
Freedom House	68,027	-	68,027
	<u>5,311,694</u>	<u>-</u>	<u>5,311,694</u>
Management and General Expenses	316,891	-	316,891
	<u>5,628,585</u>	<u>-</u>	<u>5,628,585</u>
Change in net assets	(138,430)	82,817	(55,613)
NET ASSETS, BEGINNING OF YEAR	<u>2,919,311</u>	<u>529,327</u>	<u>3,448,638</u>
NET ASSETS, END OF YEAR	<u>\$ 2,780,881</u>	<u>\$ 612,144</u>	<u>\$ 3,393,025</u>

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

Unrestricted	Temporarily restricted	Total 2004
\$ 314,233	\$ -	\$ 314,233
3,255,732	-	3,255,732
387,738	48,991	436,729
637,232	-	637,232
2,824	-	2,824
14,444	1,555	15,999
16,397	-	16,397
205,079	-	205,079
<u>4,833,679</u>	<u>50,546</u>	<u>4,884,225</u>
18,122	(18,122)	-
<u>4,851,801</u>	<u>32,424</u>	<u>4,884,225</u>
519,080	-	519,080
609,206	-	609,206
171,418	-	171,418
423,262	-	423,262
732,211	-	732,211
32,462	-	32,462
26,571	-	26,571
277,414	-	277,414
47,168	-	47,168
91,938	-	91,938
416,962	-	416,962
156,129	-	156,129
275,150	-	275,150
136,387	-	136,387
-	-	-
163,247	-	163,247
199,355	-	199,355
-	-	-
<u>4,277,960</u>	<u>-</u>	<u>4,277,960</u>
<u>442,853</u>	<u>-</u>	<u>442,853</u>
<u>4,720,813</u>	<u>-</u>	<u>4,720,813</u>
130,988	32,424	163,412
<u>2,788,323</u>	<u>496,903</u>	<u>3,285,226</u>
<u>\$ 2,919,311</u>	<u>\$ 529,327</u>	<u>\$ 3,448,638</u>

STATEMENTS OF FUNCTIONAL EXPENSES

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

For the year ended June 30, 2005 (with comparative totals for 2004)

	Counseling	Housing and Rental Units	Consumer Credit Counseling Service	Hot Meals	Senior Services	Americorp	Vista	Safer Futures	Place of Peace	Clothing Closet
Salaries	\$ 369,256	\$ 293,311	\$ 118,718	\$ 209,638	\$ 276,254	\$ 146,545	\$ 23,395	\$ 196,926	\$ 70,129	\$ 27,473
Payroll taxes	28,554	24,612	9,644	15,822	21,982	13,056	1,937	16,389	5,332	2,178
Employee benefits	27,240	41,696	22,555	6,696	10,056	5,788	1,872	12,580	2,529	7,689
Total salaries & related expense	425,050	359,619	150,917	232,156	308,292	165,389	27,204	225,895	77,990	37,340
Professional fees	27,182	7,644	3,106	30,840	3,027	2,395	46	5,948	15,033	185
Supplies	12,415	8,544	9,147	98,530	11,205	2,523	367	8,308	2,901	2,956
Telephone	5,067	15,889	6,604	4,582	13,663	2,228	150	10,237	3,531	786
Postage	2,991	678	5,719	916	3,034	181	83	1,031	28	144
Conferences and conventions	3,049	1,037	7,622	-	2,404	1,445	20	995	299	-
Occupancy costs	20,705	52,434	21,676	57,968	26,604	2,519	303	17,792	32,524	27,196
Equipment maintenance	7,686	42,824	9,343	2,813	3,148	395	95	1,444	420	1,832
Journals and publications	7,562	248	1,856	88	390	166	-	290	461	-
Advertising	3,358	1,884	5,326	3,843	3,518	2,199	58	4,160	767	698
Dues	392	574	8,276	2,426	92	120	-	223	-	15
Transportation and travel	6,445	10,965	3,700	7,334	10,310	4,171	2,606	5,955	4,255	308
Bad debt	8,800	-	-	-	-	-	-	-	-	-
Specific assistance to individuals	-	75,282	-	400	2,950	-	1,771	-	-	200
Interest	5,614	10,790	10,044	9,749	50	-	-	-	-	14,879
Volunteer	-	-	92	18	348,863	15	-	30	-	-
Miscellaneous	4,611	936	3,691	6,508	309	1,382	637	2,170	20	1,428
	540,927	589,348	247,119	458,171	737,859	185,128	33,340	284,478	138,229	87,967
Depreciation	7,628	53,257	685	48,731	9,341	937	-	8,431	1,254	14,490
Total expenses	\$ 548,555	\$ 642,605	\$ 247,804	\$ 506,902	\$ 747,200	\$ 186,065	\$ 33,340	\$ 292,909	\$ 139,483	\$ 102,457

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

										Total 2005	Total 2004
Emergency										Program &	Program &
Financial	Day	Home	School	Smoking	Community	Miller	Freedom	Total	Mgt. and	Manag.	Mgt.
Assistance	Care	Based	Based	Cessation	Centers	House	House	Program	General	Expenses	Expenses
\$ 74,513	\$ 105,329	\$ 218,771	\$ 126,852	\$ 74,709	\$ 199,743	\$ 120,250	\$ 46,056	\$ 2,697,868	\$ 96,089	\$ 2,793,957	\$ 2,361,411
5,406	9,999	16,417	15,045	5,926	18,764	11,208	4,211	226,482	21,876	248,358	191,247
10,870	5,802	18,968	5,989	4,260	5,229	3,893	3,476	197,188	18,081	215,269	216,471
90,789	121,130	254,156	147,886	84,895	223,736	135,351	53,743	3,121,538	136,046	3,257,584	2,769,129
1,759	366	2,551	8,305	73,534	5,537	2,902	1,312	191,672	29,056	220,728	114,986
1,937	5,362	1,271	3,288	5,734	23,537	9,701	2,639	210,365	14,475	224,840	200,841
1,855	1,357	5,942	6,106	918	7,344	3,564	640	90,463	6,181	96,644	86,425
246	10	123	117	595	254	436	83	16,669	7,171	23,840	20,939
220	429	780	246	1,705	-	298	397	20,946	1,398	22,344	16,173
6,557	13,508	3,606	3,971	1,980	25,941	21,091	6,200	342,575	20,900	363,475	316,819
38	125	754	773	1,332	4,212	2,071	46	79,351	7,625	86,976	43,829
1,780	700	50	34	5,499	112	112	171	19,519	526	20,045	7,645
651	3,484	501	1,228	3,435	2,027	1,864	643	39,644	16,083	55,727	54,669
95	370	50	-	-	481	178	28	13,320	7,762	21,082	14,771
947	93	14,168	8,348	4,506	6,770	466	-	91,347	9,887	101,234	91,722
-	-	1,600	-	-	-	-	-	10,400	-	10,400	35,136
355,129	-	-	-	-	-	-	30	435,762	-	435,762	347,352
-	10	85	575	873	-	-	-	52,669	6,399	59,068	50,683
-	-	-	-	-	56	-	-	349,074	-	349,074	286,401
1,418	4,060	5	859	540	1,793	2,135	546	33,048	14,876	47,924	59,633
463,421	151,004	285,642	181,736	185,546	301,800	180,169	66,478	5,118,362	278,385	5,396,747	4,517,153
678	564	564	2,024	-	23,326	19,873	1,549	193,332	38,506	231,838	203,660
\$ 464,099	\$ 151,568	\$ 286,206	\$ 183,760	\$ 185,546	\$ 325,126	\$ 200,042	\$ 68,027	\$ 5,311,694	\$ 316,891	\$ 5,628,585	\$ 4,720,813

STATEMENTS OF CASH FLOWS
FAMILY AND COMMUNITY SERVICES, INC.

For the years ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (55,613)	\$ 163,412
Noncash items included in change in net assets		
Interest and dividends reinvested	(250)	(224)
Net realized and unrealized gains on investments	(10,007)	(12,998)
Contributions restricted for capital campaign	(22,053)	(62,159)
Gain on sale of asset	-	(16,397)
Depreciation	231,838	203,660
Changes in assets and liabilities		
Receivables	(68,548)	(109,705)
Assets designated for investment in property and equipment	-	10,598
Other assets	(6,147)	8,267
Accounts payable	55,974	5,905
Accrued expenses	(11,667)	48,935
Deferred revenue	(19,799)	25,857
Cash provided by operating activities	93,728	265,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	2,817	10,750
Purchases of investments	-	(1,288)
Proceeds from sale of assets	-	45,354
Purchase of property and equipment	(107,857)	(141,595)
Cash used in investing activities	(105,040)	(86,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short-term borrowings	-	(18,100)
Repayment of long-term debt	(37,478)	(36,858)
Contributions restricted for capital campaign	22,053	62,159
Cash provided by (used in) financing activities	(15,425)	7,201
Increase (decrease) in cash and cash equivalents	(26,737)	185,573
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	613,146	427,573
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 586,409	\$ 613,146
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 59,068	\$ 50,683

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

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 1. Nature of Business and Significant Accounting Policies

Nature of Activities

Family and Community Services, Inc. (Agency) is a not-for-profit organization. The Agency's mission is to marshal community resources to support, strengthen and empower individuals and families through a broad continuum of community-based services that meet the needs and values of the community. This mission is to be achieved through service, advocacy, and broad community volunteerism.

The financial statements reflect the application of certain accounting policies described in this note.

Concentration of Credit Risk

The Agency maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Use of Estimates

The preparation of financial statements 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.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency 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 and reported in the statement of activities as net assets released from restrictions.

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those contributed assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from grants representing exchange transactions and reimbursement contracts is recognized to the extent that expenses eligible under the grant agreements or for reimbursements have been incurred during the period. Revenue from fees is recognized in the period when the services are provided. Income from grants and contracts received but unearned in the current year are deferred to the subsequent year. All gains and losses arising from the sale or other disposition of investments are accounted for as changes in unrestricted net assets absent any donor-imposed restrictions.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables and Allowance for Doubtful Accounts

Receivables for counseling fees are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience. Receivables for counseling fees are written off when deemed uncollectible. Recoveries of receivables for counseling previously written off are recorded when received.

Investments

The Agency carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying statements of activities. Investment income includes interest, dividends and realized gains and losses as described further in Note 3.

Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair value at the date of donation, less accumulated depreciation. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets.

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

The Agency is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes pursuant to Section 509(a) of the Code.

Contributed Services and Facilities

During the years ended June 30, 2005 and 2004, the value of contributed services meeting the requirements for recognition in the financial statements was \$44,706 and \$25,522, respectively. The Agency pays for most services requiring specific expertise. However, individuals volunteer their time and perform certain services in the Emergency Financial Assistance, Kent Hot Meals, Clothing Closet, Housing, Safer Futures and Senior Services Programs. The Agency received approximately 283,058 and 317,470 volunteer hours during the years ended June 30, 2005 and 2004, respectively.

Contributed facilities include the difference between the amount of rent paid at various locations and the approximate fair value of such rentals. Donated rents amounted to \$48,618 for 2005 and \$25,850 for 2004.

Functional Allocation of Expenses

Costs of providing various programs have been summarized on a functional basis. The amounts shown for 2004 are included to provide a basis for comparison with 2005 and are not intended to present all information necessary for a fair presentation of the 2004 statement of functional expenses in conformity with accounting principles generally accepted in the United States of America.

Reclassifications

Certain information previously reported has been reclassified to conform to the current year presentation.

Note 2. Receivables

Receivables as of June 30 are as follows:

	2005	2004
Grants receivable, net of allowance for doubtful accounts of \$10,400 in 2005 and \$27,865 in 2004	\$ 424,085	\$ 766,022
Contributions receivable (see Note 5)	226,436	248,489
Program fees, net of allowance for doubtful accounts of \$8,936 in 2005 and \$68,993 in 2004	494,458	61,920
	<u>\$ 1,144,979</u>	<u>\$ 1,076,431</u>

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 3. Investments

Investment income relating to unrestricted investments is summarized as follows at June 30:

	2005	2004
Interest and dividends	\$ 3,036	\$ 2,821
Net unrealized gains	7,221	13,178
	<u>\$ 10,257</u>	<u>\$ 15,999</u>

The Agency's investment portfolio at June 30 consists of the following:

	2005		2004	
	Cost	Market value	Cost	Market value
Debt securities				
Certificates of deposit	\$ 15,834	\$ 15,834	\$ 15,584	\$ 15,584
Equity securities				
Common stocks	12,249	19,566	12,166	17,797
Mutual Funds	69,889	66,301	68,160	60,880
	<u>\$ 97,972</u>	<u>\$ 101,701</u>	<u>\$ 95,910</u>	<u>\$ 94,261</u>

Note 4. Property and Equipment

Property and equipment as of June 30 are summarized as follows:

	2005	2004
Land	\$ 424,775	\$ 424,775
Building	2,094,536	2,094,536
Equipment	197,072	331,541
Furniture and fixtures	226,225	64,831
Leasehold improvements	731,107	665,050
Vehicles	46,388	38,439
Construction in progress	22,602	15,679
	<u>3,742,705</u>	<u>3,634,851</u>
Less accumulated depreciation	1,218,551	986,716
	<u>\$ 2,524,154</u>	<u>\$ 2,648,135</u>

Depreciation expense amounted to \$231,838 and \$203,660 for the years ended June 30, 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 5. Contributions Receivable

Contributions receivable represent unconditional promises to give by donors for the “Guardians of Hope” capital campaign. Contributions receivable at June 30, 2005 and 2004 related to the Agency’s ongoing capital campaign and, as such, are classified as temporarily restricted on the statement of financial position. Contributions expected to be collected during the next year are recorded at net realizable value. Contributions expected to be collected in greater than one year have been discounted at 8.00% for 2005 and 2004 and are reflected in the financial statements at their net present value. Contributions receivable are due as follows:

	2005	2004
Less than one year	\$ 78,820	\$ 69,170
One to five years	210,638	243,160
	289,458	312,330
Less discount to present value	63,022	63,841
	\$ 226,436	\$ 248,489

Note 6. Short-Term Borrowings

The Agency had available a \$200,000 line of credit with a bank which was not renewed at its due date in 2005. Interest was payable monthly at the bank’s prime lending rate and was collateralized by substantially all assets of the Agency. At June 30, 2005 and 2004 there was no amount drawn against the line of credit.

Note 7. Long-Term Debt

The Agency was obligated on the following notes as of June 30:

	2005	2004
<u>Development Corporation</u>		
Note dated 9-00; due 9-2010; payable in monthly installments of \$777 including interest at 8.25%; collateralized by certain real estate	\$ 41,849	\$ 48,448
<u>Bank</u>		
Note dated 7-00; due 8-2020; payable in monthly installments of \$1,196 including interest at 8.25%; collateralized by certain real estate	123,417	127,409
Note dated 12-01; due 11-2021; payable in monthly installments of \$1,877 including interest at 6.50%; collateralized by certain real estate	223,222	232,381

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 7. Long-Term Debt (Continued)

	2005	2004
<u>Bank</u> (continued)		
Note dated 9-02; due 2-2014; payable in monthly installments of \$1,286 including interest at 7.63%; collateralized by certain real estate	\$ 95,146	\$ 104,237
 Note dated 1-03; due 1-2022; payable in monthly installments of \$866 including interest at 6.0%; collateralized by certain real estate	 111,287	 115,257
<u>Portage County Commissioners</u>		
Note dated 12-00; due 12-2007; 6.0% interest rate; collateralized by certain real estate	6,000	6,000
 <u>City of Kent</u>		
Note date 5-01; due 5-2012; interest free; payable in 10 annual principle payments of \$2,500, balloon payment of \$10,000; collateralized by certain real estate	25,000	27,500
 <u>Portage Foundation</u>		
Note dated 7-02; due 7-2012; payable in monthly installments of \$750 including interest at 5.0%; collateralized by certain real estate	118,230	120,397
	744,151	781,629
Less current maturities	36,965	34,734
	<u>\$ 707,186</u>	<u>\$ 746,895</u>

Maturities of the notes payable for the years subsequent to 2005 are as follows:

2006	\$ 36,965
2007	39,353
2008	47,828
2009	44,356
2010	47,315
Thereafter	528,334
	<u>\$ 744,151</u>

NOTES TO FINANCIAL STATEMENTS

FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets include cash, contributions receivable and investments received as part of the Agency's "Guardians of Hope" capital campaign, whose purpose has been restricted by their donors to the acquisition and improvement of the various facilities the Agency uses to carry out its mission.

Note 9. Pension Plan

The Agency maintains a Section 403(b) flexible annuity program that covers employees who meet certain age and length-of-service requirements. The Agency's contribution level for the years ended June 30, 2005 and 2004 was 3.5% of participating employees' salaries. Pension expense for the years ended June 30, 2005 and 2004 amounted to \$27,074 and \$25,178, respectively.

Note 10. Government Funding

The Agency received approximately 80% of its funding for 2005 and 2004 through government grants and purchase of service agreements. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Agency's activities.

Note 11. Funds Held for Others

The Agency is custodian for funds used for various expenditures of certain individuals in its consumer credit counseling and payee program. Because these funds do not belong to the Agency, they are not included in the accompanying financial statements. At June 30, 2005 and 2004, the consumer credit counseling program maintained funds totaling \$27,909 and \$35,668, respectively, and the payee program, started in 2004, maintained funds as of June 30, 2005 and 2004 in the amounts of \$6,450 and \$2,955, respectively.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA number	Pass-through/ entity ID number	Federal expenditures
Department of Housing and Urban Development			
Direct Program			
Supportive Housing	14.235	OH16B10-7001	\$ 49,218
	14.235	OH16B00-7003	171,341
	14.235	OH16B20-7005	116,069
			<hr/> 336,628
Pass-Through State Department of Development and City of Kent and Portage County Commissioners Community Development Block Grant	14.219	PO123907	4,500
	14.219	PO128338	24,750
	14.219	PO123965	41,321
	14.219	20040061	30,952
			<hr/> 101,523
Total Department of Housing and Urban Development			438,151
Department of Justice			
Pass-Through Ohio Office of Criminal Justice Services Safe Havens for Children	16.527	2003CWBX0035	114,253
Pass-Through State Department of Attorney General VOCA	16.575	2004VADOME052	16,250
	16.575	2005VADOME052	48,744
			<hr/> 64,994
Byrne Grant	16.579	2003-DG-D027349	13,824
	16.579	2004-DG-D027349	14,250
			<hr/> 28,074
Pass-Through Ohio Office of Criminal Justice Services Violence Against Women	16.588	2003-WF-VA2-8222	15,750
	16.588	2004-WF-VA2-8222	15,750
			<hr/> 31,500
Total Department of Justice			238,821

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA number	Pass-through/ entity ID number	Federal expenditures
Federal Emergency Management Agency			
Direct Program: Emergency Shelter	83.523	N/A	\$ 62,836
Department of Health and Human Services			
Pass-Through Ohio Department of Aging and Area Agency on Aging, 10B, Inc.	93.044	N/A	156,044
Pass-Through The Ohio Department of Jobs and Family Services and the Portage County Department of Jobs and Family Services	93.558	PRC 67200402	45,400
	93.558	PRC 67200401	44,000
Pass-Through Ohio Department of Education, The Family and Children's First Council of Portage County	93.558	4820030024	182,026
Pass-Through State Department of Development and the Office of Housing and Community Partnership Temporary Assistance for Needy Families	93.558	20050234	12,754
	93.558	20050235	199,481
	93.558	20050237	7,971
	93.558	20050238	6,000
	93.558	20050239	16,000
	93.558	20050242	2,000
			<hr/> 515,632
Pass-Through The Ohio Office of Criminal Justice Family Violence Program	93.671	2004-VP-001-4005	<hr/> 50,000
Total Department of Health and Human Services			721,676
Department of Agriculture			
Pass-Through Ohio Department of Aging and Area Agency on Aging, 10B, Inc. Food Donation Program	93.053	N/A	28,900
Department of Labor			
Pass-Through Ohio Department of Jobs and Family Services WIA Youth Services	17.259	N/A	189,492

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA number	Pass-through/ entity ID number	Federal expenditures
Corporation for National and Community Service			
Pass-Through State Department of Aging			
RSVP - Regional	94.002	02SRNOH001	\$ 99,501
	94.002	03SRNOH001	124,799
	94.002	05SRNOH003	10,120
			<u>234,420</u>
 Americorps	 94.006	 03AFOH00020014	 109,304
	94.006	03AFOH00020014	12,960
			<u>122,264</u>
 Foster Grandparent Program	 94.011	 02SFNOH071	 117,649
 Volunteers in Services to America	 94.013	 03VSNOH062	 9,779
	94.013	04VSNOH062	20,076
			<u>29,855</u>
 Senior Companion Program	 94.016	 04SCNOH002	 179,590
	94.016	04SC040219	53,342
			<u>232,932</u>
 Total Corporation for National and Community Service			 <u>737,120</u>
 Medicaid	 93.778	 MC-36-01	 <u>117,174</u>
			<u>\$ 2,534,170</u>

N/A = Not Available

CFDA = Catalog of Federal Domestic Assistance

The accompanying notes are an integral part of this schedule.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FAMILY AND COMMUNITY SERVICES OF PORTAGE COUNTY, INC.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Family and Community Services of Portage County, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SECTION 2

**INDEPENDENT AUDITORS' 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**



INDEPENDENT AUDITORS' 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
Family and Community Services, Inc.
Kent, Ohio

We have audited the financial statements of Family and Community Services, Inc. as of and for the year ended June 30, 2005, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family and Community Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family and 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 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, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

Bruner-Cox, LLP

October 4, 2005

SECTION 3

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Family and Community Services, Inc.
Kent, Ohio

Compliance

We have audited the compliance of Family and Community Services, Inc. with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major Federal programs for the year ended June 30, 2005. Family and 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 its major Federal programs is the responsibility of Family and Community Services, Inc.'s management. Our responsibility is to express an opinion on Family and 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 Family and 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 Family and Community Services, Inc.'s compliance with those requirements.

In our opinion, Family and 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 June 30, 2005.

Internal Control Over Compliance

The management of Family and Community Services, Inc. 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 Family and 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

Bruner • Cox, LLP

October 4, 2005

SECTION 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes reported

Type of auditors' report issued on compliance for major program: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.558	Temporary Assistance for Needy Families
14.235	Supportive Housing
93.778	Medical Assistance Program - Medicaid

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

Auditee qualified as low-risk auditee? Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

None reported.

B. Compliance Findings

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Major Programs

None reported.

B. Compliance Findings Required to be Reported in Accordance with Section 510(a) of Circular A-133

None reported.

SECTION 5

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

I. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

Audit Finding 04-01 Financial Reporting

Condition: The Ohio Department of Development conducted a special audit of grants made to Family and Community Services, Inc. by the Office of Housing and Community Partnerships of the Ohio Department of Development (ODOD). The their report dated April 15, 2004, reported several internal control conditions related to accuracy of accounting information for grant reporting.

Criteria: Accounting principles generally accepted in the United States of America require that an entity have internal controls in place that support the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Effect: The breakdown in the internal controls over financial reporting resulted in errors in the financial reports submitted to ODOD not being in agreement with the Agency's general ledger.

Recommendation: We recommend that the Agency institute the responses it communicated to the Ohio Department of Development in their letter dated June 2, 2004.

Auditee Response: The finding of the reportable condition over internal controls has been corrected with our fiscal year beginning July 1, 2004. Family and Community Services has reviewed its internal processes to ensure that financial reports are being prepared in a manner that the results agree with the Agency's general ledger. New accounting software was purchased that has enhanced the Agency's productivity and allowed for more flexible and accurate financial reporting.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

I. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

B. Compliance Findings

Audit Finding 04-02 Grant Financial Records

Condition: The Ohio Department of Development conducted a special audit of grants made to Family and Community Services, Inc. by the Office of Housing and Community Partnerships of the Ohio Department of Development (ODOD). The their report dated April 15, 2004, reported that grant accounting information was not segregated by activity that allowed for the identification of the source and application of funds for its sponsored projects.

Criteria: The Office of Housing and Community Partnerships of the Ohio Department of Development's Financial Management Rules and Regulations state that a grantee's accounting records "must be maintained to summarize cash receipts and disbursements on an activity basis."

Effect: Reimbursement of funds may be required and future funding may be denied if Family and Community Services of Portage County, Inc. cannot produce financial records accurately segregated on an activity basis.

Recommendation: We recommend that Family and Community Services, Inc. institute the responses it communicated to the Ohio Department of Development in its letter dated June 2, 2004.

Auditee Response: Effective July 1, 2004, new accounting software was purchased that has allowed for more flexible and accurate financial reporting. The software was configured to allow revenue and expenses to be recorded on an activity basis.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FAMILY AND COMMUNITY SERVICES, INC.

For the year ended June 30, 2005

I. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

B. Compliance Findings

Audit Finding 04-03 Timely Submission of Reports

Condition: The Ohio Department of Development conducted a special audit of grants made to Family and Community Services, Inc. by the Office of Housing and Community Partnerships of the Ohio Department of Development (ODOD). Their report dated April 15, 2004, reported several instances of grant reports not being submitted in a timely manner.

Criteria: Each Ohio Department of Development Grant Agreement contains provisions for when reports are to be submitted.

Effect: Reimbursement of funds may be required and future funding may be denied if Family and Community Services, Inc. cannot submit grant financial reports in a timely manner.

Recommendation: We recommend that the Agency institute the responses it communicated to the Ohio Department of Development in their letter dated June 2, 2004.

Auditee Response: Effective immediately, Financial Status/Final Performance reports will be submitted on a timely basis. Certain confusion on the date that the reports were due was clarified during the audit conducted by the Ohio Department of Development.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Major Programs

See Audit Finding 04-01.

B. Compliance Findings Required to be Reported in Accordance with Section 510(a) of Circular A-133

See Audit Findings 04-02 through 04-03.