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November 30, 2009

Board of Directors
Archer Consultation Services, Inc.
P.O. Box 947
North Vernon, IN 47265

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 Archer Consultation Services, Inc., as of June 30, 2007, 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

ARCHER CONSULTATION SERVICES, INC.

FINANCIAL STATEMENTS

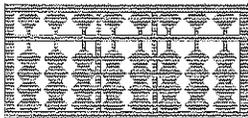
June 30, 2007 and 2006

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Larry E. Nunn & Associates

Certified Public Accountants, L.L.C.



Member American Institute of Certified Public Accountants (AICPA)
Member AICPA's Center for Public Company Audit Firms
Member AICPA's Governmental Audit Quality Center
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From Vision to Solution

Board of Directors
Archer Consultation Services, Inc.
North Vernon, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Archer Consultation Services, Inc. as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Archer Consultation Services, Inc. as of June 30, 2007 and 2006, and its revenues and expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Larry E. Nunn & Associates, LLC".

Columbus, Indiana
December 19, 2007

ARCHER CONSULTATION SERVICES, INC.
 STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 750,285	\$ 893,872
Cash held in trust	59,712	62,369
DDARS Receivable	9,083	17,947
Medicaid Waiver services receivable-Supported living	67,840	486,863
Medicaid Waiver services receivable-Adult Foster Care	77,609	159,777
Prepaid expenses	<u>78,356</u>	<u>329,075</u>
Total current assets	<u>1,042,885</u>	<u>1,949,903</u>
Property and Equipment		
Building	374,034	419,753
Land	55,000	80,000
Vehicles	560,208	501,546
Office equipment	283,653	251,508
Supported Living program	<u>19,349</u>	<u>15,793</u>
Total cost	1,292,244	1,268,600
Less: Accumulated depreciation	<u>(377,271)</u>	<u>(291,884)</u>
Total property and equipment	<u>914,973</u>	<u>976,716</u>
Other Assets		
Related party receivable	-	48,000
Other	<u>9,585</u>	<u>8,860</u>
Total other assets	<u>9,585</u>	<u>56,860</u>
Total Assets	<u>\$ 1,967,443</u>	<u>\$ 2,983,479</u>

See accompanying notes and independent auditor's report.

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Accounts payable	\$ -	\$ 17,246
Current portion of long term debt	58,992	-
Client liabilities	223,132	226,892
Accrued living expenses	107,244	98,649
Other accrued expenses	<u>207,735</u>	<u>293,295</u>
Total current liabilities	597,103	636,082
Long-Term Debt, net of current maturities	<u>218,091</u>	<u>-</u>
Total liabilities	815,194	636,082
Net Assets - Unrestricted	<u>1,152,249</u>	<u>2,347,397</u>
Total Liabilities and Net Assets	<u>\$ 1,967,443</u>	<u>\$ 2,983,479</u>

ARCHER CONSULTATION SERVICES, INC.
 STATEMENTS OF ACTIVITIES
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Supervision income	\$ 79,843	\$ 116,606
Resident living allowance	1,033,488	1,133,870
Medicaid waiver service income	4,542,533	5,007,455
Adult Foster Care Supervision Income	3,081,064	3,366,555
Behavior management income	169,826	206,170
Interest income	13,609	29,860
Gain (loss) on disposition of assets	(29,819)	-
Miscellaneous income	<u>3,764</u>	<u>13,359</u>
Total support and revenue	<u>8,894,308</u>	<u>9,873,875</u>
Expenses		
Program services	7,511,578	8,515,881
General and administrative	<u>2,577,878</u>	<u>2,429,659</u>
Total expenses	<u>10,089,456</u>	<u>10,945,540</u>
Changes in Net Assets	(1,195,148)	(1,071,665)
Net Assets (Liabilities), Beginning of year	<u>2,347,397</u>	<u>3,419,062</u>
Net Assets (Liabilities), End of year	<u>\$ 1,152,249</u>	<u>\$ 2,347,397</u>

See accompanying notes and independent auditor's report.

ARCHER CONSULTATION SERVICES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2007 and 2006

	2007		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Resident living expense	\$ 1,627,205	\$ -	\$ 1,627,205
Adult Foster Care expenses	1,323,952	-	1,323,952
Consultant fees	80,000	-	80,000
Supported living program expenses	236,662	-	236,662
Case management program expenses	5,310	-	5,310
Transportation	85,080	-	85,080
Salaries	3,463,914	1,242,564	4,706,478
Payroll taxes	325,971	92,557	418,528
Employee health insurance	183,854	78,794	262,648
Training	11,301	-	11,301
Advertising	-	86	86
Depreciation	-	263,182	263,182
Processing fees	-	2,832	2,832
Insurance	168,329	460,003	628,332
Office supplies	-	55,019	55,019
Retirement plan	-	87,779	87,779
Postage	-	13,717	13,717
Professional fees	-	75,831	75,831
Rent	-	26,064	26,064
Repairs	-	52,236	52,236
Utilities	-	16,494	16,494
Telephone	-	25,865	25,865
Interest expense	-	15,579	15,579
Donations	-	150	150
Miscellaneous	-	69,126	69,126
Total	<u>\$ 7,511,578</u>	<u>\$ 2,577,878</u>	<u>\$ 10,089,456</u>

See accompanying notes and independent auditor's report.

ARCHER CONSULTATION SERVICES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2007 and 2006

	2006		
	Program Services	Management and General	Total
Resident living expense	\$ 1,936,322	\$ -	\$ 1,936,322
Adult Foster Care expenses	1,223,612	-	1,223,612
Supported living program expenses	205,353	-	205,353
Case management program expenses	35,544	-	35,544
Transportation	52,918	-	52,918
Salaries	4,063,974	1,229,519	5,293,493
Payroll taxes	409,526	81,511	491,037
Employee health insurance	302,498	129,642	432,140
Training	12,778	-	12,778
Advertising	-	1,255	1,255
Depreciation	-	170,220	170,220
Processing fees	6,746	215	6,961
Insurance	199,665	285,998	485,663
Office supplies	-	78,459	78,459
Retirement plan	66,945	36,394	103,339
Postage	-	12,477	12,477
Professional fees	-	46,959	46,959
Rent	-	26,752	26,752
Repairs	-	259,601	259,601
Utilities	-	12,637	12,637
Telephone	-	35,822	35,822
Annual meeting	-	1,648	1,648
Donations	-	350	350
Miscellaneous	-	20,200	20,200
Total	\$ 8,515,881	\$ 2,429,659	\$ 10,945,540

See accompanying notes and independent auditor's report.

ARCHER CONSULTATION SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ (1,338,054)	\$ (1,071,665)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	263,182	170,220
Loss on disposition of assets	29,819	-
Forgiveness of receivable	48,000	-
(Increase) decrease in current assets:		
Cash held for others	2,656	3,260
DDARS receivable	8,863	6,928
Medicaid Waiver services receivable	479,715	570,631
Prepaid expenses	250,719	(64,674)
Other assets	(725)	-
Increase (decrease) in current liabilities:		
Accounts payable	(17,246)	11,568
Client liabilities	(3,759)	(2,480)
Accrued living expenses	(91,331)	38,623
Deferred income	178,748	-
Net cash provided by (used in) operating activities	<u>(189,413)</u>	<u>(337,589)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(227,192)	(616,536)
Proceeds from the sale of property and equipment	62,632	-
Proceeds from maturity of certificates of deposit	-	260,190
Purchase of certificate of deposit	-	(6,688)
Net cash provided by (used in) investing activities	<u>(164,560)</u>	<u>(363,034)</u>
Cash Flows From Financing Activities:		
Payments from related party receivable	-	45,500
Proceeds from debt	258,367	-
Principal payments of debt	(47,981)	-
Net cash provided by (used in) financing activities	<u>210,386</u>	<u>45,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,587)	(655,123)
Cash and Cash Equivalents, Beginning of year	<u>893,872</u>	<u>1,548,995</u>
Cash and Cash Equivalents, End of year	<u>\$ 750,285</u>	<u>\$ 893,872</u>
Supplementary Cash Flows Disclosures:		
Cash paid during the year for interest	<u>\$ 15,579</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

ARCHER CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 1 - NATURE OF OPERATIONS

Archer Consultation Services, Inc. (Archer) was incorporated on August 26, 1986 as an Indiana Not-for-Profit Corporation. Archer is organized exclusively for charitable and educational purposes. It manages and operates an alternative family program for residents and former residents of State facilities and individuals referred through the Division of Disability, Aging, and Rehabilitative Services, State of Indiana. In addition, Archer manages a supported living and Medicaid Waiver Services program for qualifying individuals. The area served by Archer is generally the State of Indiana. Future funding with the state of Indiana is determined on an annual basis. The State has indicated they will continue funding through the upcoming fiscal year.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government Funding -

Archer relies on government funding to carry out its programs. The Indiana Division of Disability, Aging, and Rehabilitative Services (the Division) pays a monthly rate per client for these supervision services and living allowances. In addition, Archer receives cash on behalf of the client from the Division, the Social Security Administration, Medicaid and families of the client for resident living allowance. Archer then makes payments to householders and others on behalf of the client. The Division reserves the right to reduce funding to the Corporation if its funding sources are reduced. In addition, Archer is a qualified and certified provider of supported living services through Medicaid, based on units of service reimbursement.

Revenue Recognition -

Amounts received for resident living allowances from the Division of Disability, Aging, and Rehabilitative Services and Medicaid are used to pay direct client expenses. Therefore, revenue for these amounts received is recognized in the period that such expenses are paid. Adult Foster Care supervision income and Medicaid Waiver Services income for supervision are recognized in the period that services are provided to the client.

Tax Status -

Archer has been determined to be exempt from state and federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Property and equipment -

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of five to seven years. Vehicles and equipment with useful lives of less than two years are recorded as expense in the year of purchase. Buildings are being depreciated over twenty years using straight-line methods.

Statement of Cash Flows -

For purposes of the Statement of Cash Flows, Archer considers all liquid investments with a maturity of three months or less to be cash equivalents.

ARCHER CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable -

Archer's accounts receivable consist of amounts billed to government agencies for services rendered or reimbursement of client living expenses. Management assesses the collectibility of the receivables on a regular basis and adjusts the receivables to net realizable value accordingly. As of June 30, 2007 and 2006, no allowance has been set up for uncollectible balances.

Use of Estimates -

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

Advertising Costs -

Advertising costs are expensed as incurred.

Note 3 - OPERATING LEASES

Archer has a month-to-month lease agreement with an unrelated party to rent administrative office space in North Vernon for \$2,000 per month. Rent expense for the years ended June 30, 2007 and 2006 was \$24,000 and \$24,000 respectively. In addition, Archer rents office space in Richmond, Indiana from an unrelated party. The lease runs through March 14, 2010. Monthly rent is \$725 per month. In addition, Archer rented office space from an unrelated party on a month to month basis through April 2007 for \$1,200 per month. Rent expense for the years ended June 30, 2007 and 2006 for the Richmond offices were was \$13,545 and \$14,400, respectively, and is included in supported living expense under Program Service expenses. Archer rented office space from an unrelated party on property in Alert, Indiana on a month-to-month basis for \$2,400 per month, beginning January 2005. In July 2006, Archer terminated the lease on the Alert, Indiana property. Rent expense from this agreement was \$2,400 and \$25,200 for the years ended June 30, 2007 and 2006.

The schedule of future minimum lease payments is as follows:

Year ended June 30,2008	\$ 8,700
2009	8,700
2010	<u>6,525</u>
Total	<u>\$23,925</u>

ARCHER CONSULTATION SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 4 - CASH HELD IN TRUST

Archer has received cash from non-government sources on behalf of its clients to be utilized for expenditures that are not covered by government funding. This cash is held in a separate bank account totaling \$59,712 and \$62,369 as of June 30, 2007 and 2006, and is to be used for the benefit of the specific client. The related liability is included in client liabilities.

Note 5 - LONG-TERM DEBT

The Corporation entered into agreements with Irwin Union bank to finance the purchase of several vehicles. The total amount borrowed under this agreement is \$258,367. Monthly payments including principal and interest at 7.9% total \$5,241. The loans mature in August, September and October 2011, respectively. The vehicles have been pledged as security on the loans.

Long-term debt maturities from these obligations are as follows:

2008	\$ 58,992
2009	50,573
2010	54,716
2011	59,199
2012	<u>13,602</u>
Total	<u>\$237,082</u>

Note 6 - RESIDENT LIVING ALLOWANCE/CLIENT LIABILITIES

Archer recognized income of \$1,033,488 and \$1,133,870 during 2007 and 2006, respectively, for resident living allowances, which represents reimbursements for amounts spent for direct client expenses less amounts received from non-government sources for each client. Amounts billed for resident living allowances outstanding at June 30, 2007 and 2006 total \$9,086 and \$3,152. Client liabilities at June 30, 2007 and 2006 represent amounts billed and not expended for client living allowances.

Note 7 - SUPPORTED LIVING EXPENSES

Direct costs of the supported living program, such as labor, related taxes and benefits and insurance costs are listed separately in the Program Service Expense section of the Statement of Functional Expenses.

ARCHER CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 7 - SUPPORTED LIVING EXPENSES (continued)

Expenses for the supported living program as presented in the Statement of Functional Expenses are as follows:

	<u>2007</u>	<u>2006</u>
Office Rent	\$ 14,745	\$ 14,400
Utilities	2,199	2,823
Telephone	75,769	74,038
Supplies and postage	48,910	61,157
Repairs	7,452	10,975
Transportation	41,626	7,552
Mandatory tests	12,086	7,654
Advertising	10,220	8,868
Depreciation	-	2,336
QMRP Fees and transfers	-	(480)
Storage	680	65
Apartment rent-unreimbursed	7,988	5,709
Training	15,006	10,648
Miscellaneous	<u>(19)</u>	<u>(392)</u>
Total	<u>\$236,662</u>	<u>\$205,353</u>

Note 8 - MULTI-EMPLOYER PLAN (RETIREMENT PLAN)

Archer participates in a multi-employer defined contribution retirement plan with another related not-for-profit entity, which covers all eligible employees. Contributions are based upon a percent of the eligible employee's salary. Expense for the years ended June 30, 2007 and 2006 totaled \$87,779 and \$99,809. In addition, the company has set up a 401(k) plan. There is no employer contribution match to the 401 (k) plan.

Note 9 - SUPPORTED LIVING LEASES

As part of the supported living program, Archer assists the client in obtaining living space. The client is responsible for honoring any lease agreements for living space. However, Archer, having oversight responsibility of the client, may be asked to guarantee performance of the lease with the client. The current monthly obligation on these rents is approximately \$12,603. Total rent payments for these clients were \$147,891 and \$178,951 for the years ended June 30, 2007 and 2006. These rent payments are included in resident living expenses.

ARCHER CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 10 -CONCENTRATION OF CREDIT RISK

Archer had bank accounts during the year ended June 30, 2007 and 2006 that were periodically in excess of the FDIC guarantee limit. At June 30, 2007 and 2006, the bank balances were in excess of FDIC guarantees by approximately \$868,100 and \$934,000, respectively.

Note 11 -COMMITMENTS, CONTINGENCIES

Archer is party to litigation matters that arose during the current operating year. Although Archer has been cleared of wrongdoing by the regulatory agencies, legal issues from other involved parties still remain open as of year end. Management feels that any resolution at this time would not have a material effect on Archer's financial condition.

Note 12 -NON CASH FINANCING/INVESTING TRANSACTIONS

During the year ended June 30, 2006, the Organization obtained a vehicle from a related party in exchange for a reduction of amounts owed to it. The value of this vehicle was \$7,000, which approximates fair value at the date of the transfer.