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January 26, 2010

Board of Directors
Forensic Nursing Specialties, Inc.
800 Broadway, Ste. 215
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Haines, Isenbarger & Skiba, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 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 Forensic Nursing Specialties, Inc., as of December 31, 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

Financial Statements and Other Financial
Information—Modified Cash Basis

FORENSIC NURSING SPECIALTIES, INC.

*Years ended December 31, 2007 and 2006
with Independent Accountants' Report*

Forensic Nursing Specialties, Inc.

Financial Statements and Other Financial
Information—Modified Cash Basis

Years ended December 31, 2007 and 2006

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Independent Accountants' Report

The Board of Directors
Forensic Nursing Specialties, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets—modified cash basis of Forensic Nursing Specialties, Inc. (doing business as Fort Wayne Sexual Assault Treatment Center) as of December 31, 2007 and 2006, and the related statements of support, revenue, and expenses—modified cash basis and functional expenses—modified cash basis for the years then ended. These financial statements are the representation of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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. Our 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.

As described in Note 1, these financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Forensic Nursing Specialties, Inc. as of December 31, 2007 and 2006, and its support, revenue, and expenses during the years then ended on the basis of accounting described in Note 1.

Our audit was conducted for purposes of forming an opinion on the financial statements for the year ended December 31, 2007 taken as a whole. The accompanying schedule of expenditures of federal awards—modified cash basis for the year ended December 31, 2007 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole on the modified cash basis of accounting described in Note 1.

Haines, Isenbarger & Skiba, LLC

April 30, 2008

Forensic Nursing Specialties, Inc.

Statements of Assets, Liabilities, and Net Assets—Modified Cash Basis

	December 31	
	2007	2006
Assets		
Cash and cash equivalents	\$192,916	\$ 99,019
Furniture and equipment	80,717	63,010
Less accumulated depreciation	59,076	55,093
	<u>21,641</u>	<u>7,917</u>
Total assets	<u>\$214,557</u>	<u>\$ 106,936</u>
Net Assets		
Unrestricted	\$214,035	\$ 76,936
Temporarily restricted	522	30,000
	<u>522</u>	<u>30,000</u>
Total net assets	<u>\$214,557</u>	<u>\$ 106,936</u>

Forensic Nursing Specialties, Inc.

Statements of Support, Revenue, and Expenses—Modified Cash Basis

	Year ended	
	December 31	
	2007	2006
Changes in unrestricted net assets		
Support, revenues, and gains:		
Support:		
Contributions	\$ 95,288	\$ 30,460
Contributed services and materials	720	4,930
Other fundraising events	13,370	1,602
Government support and grants:		
Sex Crime Victim Services Fund	302,640	117,825
STOP Violence Against Women Act	9,000	15,428
Victims of Crime Act	27,254	32,537
Program services:		
Courses	45,762	32,000
Medical-forensic examinations and related services, net	92,505	94,075
Other income (expense):		
Interest income	4,562	947
Loss on disposal of furniture and equipment	-	(131)
	591,101	329,673
Net assets released from restrictions	30,000	-
	621,101	329,673
Expenses:		
Program services	357,299	319,404
Supporting services:		
Management and general	121,104	113,648
Development	5,599	1,192
Total expenses	484,002	434,244
Increase (decrease) in unrestricted net assets	137,099	(104,571)
Changes in temporarily restricted net assets		
Contributions and increase in temporarily restricted net assets		
	522	30,000
Net assets released from restrictions	(30,000)	-
Increase (decrease) in temporarily restricted net assets	(29,478)	30,000
Increase (decrease) in net assets	107,621	(74,571)
Net assets at beginning of year	106,936	181,507
Net assets at end of year	\$ 214,557	\$ 106,936

Forensic Nursing Specialties, Inc.

Statement of Functional Expenses—Modified Cash Basis

Year ended December 31, 2007

	Program Services	Supporting Services		Total Expenses
		Management and General	Development	
Advertising	\$ 23,239	\$ -	\$ -	\$ 23,239
Conferences, conventions, and meetings	3,048	-	-	3,048
Consulting and professional fees	-	5,220	-	5,220
Course and training expenses	22,910	-	-	22,910
Depreciation	1,398	2,585	-	3,983
Dues and service fees	-	3,885	-	3,885
Educational materials	1,162	-	-	1,162
Employee benefits	397	117	8	522
Insurance	1,717	1,717	-	3,434
Miscellaneous	-	246	-	246
Occupancy lease expense	12,863	12,863	-	25,726
Outside services	6,679	-	-	6,679
Parking expense	912	912	-	1,824
Payroll taxes	19,166	5,660	390	25,216
Postage and shipping	571	571	-	1,142
Printing and publications	1,543	-	-	1,543
Salaries and wages	255,907	75,574	5,201	336,682
Supplies	248	11,754	-	12,002
Telephone and pagers	5,539	-	-	5,539
Total expenses	\$357,299	\$ 121,104	\$ 5,599	\$ 484,002

Forensic Nursing Specialties, Inc.

Statement of Functional Expenses—Modified Cash Basis

Year ended December 31, 2006

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Development	
Advertising	\$ 3,342	\$ -	\$ -	\$ 3,342
Conferences, conventions, and meetings	2,731	-	-	2,731
Consulting and professional fees	-	5,606	-	5,606
Course and training expenses	12,057	-	-	12,057
Depreciation	2,689	1,830	-	4,519
Dues and service fees	-	4,164	-	4,164
Educational materials	459	-	-	459
Employee benefits	2,485	703	11	3,199
Insurance	1,425	1,425	-	2,850
Miscellaneous	-	1,473	-	1,473
Occupancy lease expense	16,372	16,371	-	32,743
Outside services	7,275	-	-	7,275
Parking expense	1,091	1,090	-	2,181
Payroll taxes	18,317	5,182	84	23,583
Postage and shipping	507	506	-	1,013
Printing and publications	1,968	-	-	1,968
Salaries and wages	240,013	67,905	1,097	309,015
Supplies	3,855	7,393	-	11,248
Telephone and pagers	4,818	-	-	4,818
Total expenses	\$319,404	\$ 113,648	\$ 1,192	\$434,244

Forensic Nursing Specialties, Inc.

Notes to Financial Statements—Modified Cash Basis

December 31, 2007

1. Organization and Significant Accounting Policies

Organization

Forensic Nursing Specialties, Inc. is a not-for-profit organization doing business as the Fort Wayne Sexual Assault Treatment Center (Center). The mission of the Center is to be:

The most respected and trusted resource for superior medical forensic care, education and research in bringing justice to those impacted by sexual assault.

The Center is dedicated to providing specialized care and forensic examinations to men, women, and children that have been victims of sexual assault. The Center was the vision of a few dedicated emergency room nurses in Allen County who had first hand experience in dealing with sexual assault victims. Through collaboration with local community services and law enforcement, the first Sexual Assault Response Team in the Midwest was formed. The Center began full operation and provision of services on January 29, 1996.

By continuing a Sexual Assault Response Team based in Fort Wayne, Indiana, victims of the crime of sexual assault have access to immediate forensic treatment as well as screening for the need for medical treatment through the Center. As part of this multi-disciplinary approach, the Center has developed critical partnerships to comprehensively investigate sexual assault crimes and assist sexual assault victims with public health, criminal justice, and counseling needs. The multi-disciplinary team includes members of law enforcement agencies, local advocacy and social services organizations, and the Sexual Assault Nurse Examiners. The team approach enhances communication between all disciplines because it is centered on the victim. Other less formalized relationships exist with several agencies to better serve the victims or potential victims of sexual assault. Community awareness campaigns to promote safety and information on sexual assault represent the entire community's willingness to support the Center and its mission. All services by the Center are provided to victims at no cost.

The Center's major source of revenue is from the State of Indiana Sex Crime Victim Services Fund (SCVS Fund) administered by the Indiana Criminal Justice Institute. This SCVS Fund was established to pay for the expenses associated with forensic examinations and care following a sexual assault. Other significant sources of revenue include federal grants (S.T.O.P. (*Services, Training, Officers, Prosecutors*)) (STOP) Violence Against Women Act and Victims of Crime Act (VOCA)) administered by the Indiana Criminal Justice Institute, Foundation grants, and payments from local law enforcement agencies.

Forensic Nursing Specialties, Inc.

Notes to Financial Statements—Modified Cash Basis (continued)

1. Organization and Significant Accounting Policies (continued)

Organization (continued)

The Center is a not-for-profit voluntary health and welfare organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction limitation. The Center has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Basis of Presentation

The financial statements are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Accordingly, certain revenue and the related assets are recognized when received rather than earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consistent with accounting principles generally accepted in the United States, property and equipment expenditures are capitalized and related depreciation is recorded.

Accounts receivable from the State of Indiana Sex Crime Victim Services Fund administered by the Indiana Criminal Justice Institute are not reflected in the financial statements because of the use of the modified cash basis of accounting. Management has been working with the Indiana Criminal Justice Institute to regularly verify and reconcile the amount due the Center. Management believes that \$182,295 is due the Center from the State of Indiana Sex Crime Victim Services Fund at December 31, 2007.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Center maintains cash accounts at local banks. At various times during the year, the Center's cash and cash equivalents accounts exceeded federally insured limits. At December 31, 2007, the Center's cash and cash equivalents accounts exceeded federally insured limits by \$92,916

Furniture and Equipment

Furniture and equipment are stated at cost or if donated, at fair market value at date of donation, except for furniture and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of

Forensic Nursing Specialties, Inc.

Notes to Financial Statements—Modified Cash Basis (continued)

1. Organization and Significant Accounting Policies (continued)

Furniture and Equipment (continued)

December 31, 2007 and 2006. Depreciation is computed using straight-line and accelerated methods over the following estimated useful lives:

Office furniture and equipment	3–10 years
Examination and evidence-gathering equipment	5–7 years

Depreciation expense was \$3,983 in 2007 and \$4,519 in 2006.

Expenditures for normal repairs and maintenance are expensed when incurred.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. In addition, the Center had received certain net assets for specific purposes and these amounts were reported as temporarily restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the Center pursuant to those stipulations. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently, but permits the Center to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted. As of December 31, 2007 and 2006, the Center had no permanently restricted net assets.

Temporarily restricted net assets were \$522 at December 31, 2007. These funds are to be used for the purchase of forensic and medical equipment.

Temporarily restricted net assets were \$30,000 at December 31, 2006. These funds were received pursuant to a three year commitment made by the Fort Wayne Hospital Administrative Council to contribute \$100,000 a year beginning in 2007 to partially fund the ongoing operations of the Center. This amount will be split equally between Parkview Health and Lutheran Health Network. At December 31, 2007, \$200,000 remained outstanding pursuant to this commitment.

Forensic Nursing Specialties, Inc.

Notes to Financial Statements—Modified Cash Basis (continued)

1. Organization and Significant Accounting Policies (continued)

Contributions

Contributions, including gifts, grants, bequests, and pledges, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use. In the case of temporarily restricted support, when the stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statement of activities and changes in net assets.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. The value of contributed services and materials recognized as revenue in the accompanying statements of support, revenue, and expenses—modified cash basis were \$720 in 2007 and \$4,930 in 2006.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs charged to operations were \$23,239 in 2007 and \$3,342 in 2006.

Functional Allocation of Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statement of support, revenue, and expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

2. Debt Arrangement

Pursuant to a line of credit arrangement with a bank, the Center may borrow up to \$50,000 subject to certain terms and conditions. The line of credit arrangement is secured by substantially

Forensic Nursing Specialties, Inc.

Notes to Financial Statements—Modified Cash Basis (continued)

2. Debt Arrangement (continued)

all assets of the Center and expires on June 1, 2008. The line of credit arrangement bears interest at the prime rate (7.25% at December 31, 2007), which is payable monthly. The rate of interest increases by 3% in the event of any default. At December 31, 2007 and 2006, the Center had no borrowings pursuant to its line of credit arrangement.

3. Lease Commitments

The Center leases office space and certain office equipment under operating leases expiring in various years through 2009. Future minimum payments using noncancelable operating leases with initial terms of one year or more consisted of the following at December 31, 2007:

2008	\$ 29,210
2009	<u>2,434</u>
	<u>\$ 31,644</u>

Rent expense was \$28,754 in 2007 and \$31,002 in 2006.

Other Financial Information

Forensic Nursing Specialties, Inc.

Schedule of Expenditures of Federal Awards—Modified Cash Basis

Year ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Expenditures
U.S. Department of Justice, Office on Violence Against Women: Pass-through program from Indiana Criminal Justice Institute: Stop Violence Against Women Formula Grant: Subgrantee: New Haven Police Department Fiscal year 2007 award #2007-WF-AX-003 Grant period: July 1, 2007 through June 30, 2008	16.588	\$ 9,000
U.S. Department of Justice, Office of Justice Programs, and Office of Victims of Crimes: Pass-through program from Indiana Criminal Justice Institute: Victims of Crime Act Victim Assistance Grant: Subgrantee: New Haven Police Department (A) Fiscal year 2006 award #2006-VA-GX-0039 Grant period: July 1, 2006 through June 30, 2007 (B) Fiscal year 2007 award #2006-VA-GX-0039 Grant period: July 1, 2007 through June 30, 2008	16.575	<u>27,254</u> <u>\$ 36,254</u>

Note A—Basis of Presentation and Other Information

The accompanying schedule of federal, state, and local grant awards—modified cash basis includes the federal, state, and local grant award activity of Forensic Nursing Specialties, Inc. and is presented on the modified cash basis of accounting.

The aforementioned grants awarded for the period July 1, 2007 through June 30, 2008 were expended or partially expended at December 31, 2007 and the funds received in 2007 related thereto (\$9,000 and \$27,254, respectively) and reflected in the statement of support, revenue, and expenses—modified cash basis.

Report to the Board of Directors of

Forensic Nursing Specialties, Inc.

Audit Results and Communications

Year ended December 31, 2007

April 30, 2008

Submitted by:



HAINES, ISENBARGER & SKIBA, LLC
CERTIFIED PUBLIC ACCOUNTANTS

www.hainescpa.com



HAINES, ISENBARGER & SKIBA, LLC
CERTIFIED PUBLIC ACCOUNTANTS

April 30, 2008

Board of Directors
Forensic Nursing Specialties, Inc.

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the financial statements (modified cash basis) of Forensic Nursing Specialties, Inc. doing business as Fort Wayne Sexual Assault Treatment Center (Center) as of and for the year ended December 31, 2007.

In meetings with management and the Treasurer, we discussed the scope of our engagement, the report we intend to issue and areas of audit emphasis. We considered the Center's current and emerging needs, actual or pending transactions of significance, along with an assessment of risks that could materially affect the financial statements and aligned our planned audit procedures accordingly.

This Report to the Board of Directors summarizes the scope of our engagement and the communications required by auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA). We will also share our observations on the Center's financial position and results of operations and changes in net assets as we review the financial statements with you. In addition, we will be prepared to discuss any other matters that you may desire. Please do not hesitate to contact me directly at (260) 436-9500.

The completion of this year's audit was accomplished through the excellent support and assistance of the Center's personnel. As always, we strive to continually improve the quality of our audit services. This meeting is a forum for you to provide feedback on ways we can continue to meet and exceed your expectations.

This report is intended solely for the use of the, Board of Directors and management. We appreciate the opportunity to serve the Center and to meet with you.

Very truly yours,

Thomas J. Skiba
Partner

Copy to Sharon Robison, Chief Administrative Office



Forensic Nursing Specialties, Inc.

Summary of What We Agreed To Do

Our Approach

Our audit plan represented an approach responsive to the assessment of risk for the Center. Specifically, we designed our audit to:

- Issue an opinion on the fairness, in all material respects, of the presentation of the financial statements of the Center as of and for the year ended December 31, 2007 in conformity with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.
- Provide recommendations for improving internal controls and operating procedures, compliance with laws and regulations, and adherence to accounting principles.
- We were not engaged to prepare the Center's Form 990, *Return of Organization Exempt From Income Tax*, and Indiana Form NP-20, *Indiana Nonprofit Organization's Annual Report for the Calendar Year or Fiscal Year*, for the year ended December 31, 2007 or the Center's personal property tax returns.

Audit Results and Communications

- Audit communications (*included herein*)
- Review financial statements
- Communicating internal control matters identified in an audit (*report attached, new format*)
- The key accounting literature applicable to nonprofit organizations such as the Center includes:
 - FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*
 - FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*
 - FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*
 - FASB Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*
 - AICPA, *Audit and Accounting Guide, Not-for-Profit Organizations*
 - AICPA, *Audit Risk Alert, Not-for-Profit Organization's Industry Developments*
- New auditing standards (*audit documentation, risk assessments, communicating internal control matters, auditors' communication with those charged with governance*).
- Governance and regulatory oversight:
 - State Board of Accounts
 - Internal Revenue Service
 - Sarbanes-Oxley Act
 - Federal and State Governments.



Forensic Nursing Specialties, Inc.

The areas of audit emphasis included the following:

- Cash and cash equivalents.
- Accounts receivables, revenue recognition, and related allowance for doubtful accounts. Confirmation with the State / alternative procedures.
- Property, plant, and equipment, including additions and depreciation.
- Net assets (classification, restrictions, and investment earnings).
- Program service income.

- Government (Indiana) support:
 - Sex Crime Victim Services Fund.
 - Stop Violence Against Women.
 - VOCA/Indiana Victim/Witness Assistance.
- Local law enforcement support (Fort Wayne and Allen County).

- Contributions, including in-kind contributions.
- Compensation and other employee benefits.
- Program and other management costs.
- Other significant income and expense accounts.
- Commitments, contingencies, errors, fraud and illegal acts, environmental, and other regulatory matters.
- Financial reporting, including accounting presentation and disclosure requirements.



Forensic Nursing Specialties, Inc.

Required Communications

Auditing Standards promulgated by the AICPA (revised by Statements on Auditing Standards No. 114, issued in December 2006) require the auditor to communicate significant matters related to the financial statement audit that are, in the auditors' professional judgment, relevant to the responsibilities of those charged with governance (e.g., Audit or Finance Committee) in overseeing the financial reporting. Below we summarize these required communications.

Area	Comments
Auditors' Responsibilities under Generally Accepted Auditing Standards	<p>We have issued an unqualified opinion on the financial statements prepared on a modified cash basis of accounting as of and for the year ended December 31, 2007. We concluded that the financial statements of the Center are fairly stated, in all material respects, on the basis of accounting described above.</p>
<p>The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States, and provides for reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We have a responsibility to opine on whether the financial statements are fairly stated in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. As part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.</p>	<p>The management of the Center has acknowledged its responsibility for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the financial statements. Management of the Center also is responsible for identifying and ensuring that the Center complies with the laws and regulations applicable to its activities. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Significant Accounting Policies	<p>There were no initial selections of, or changes in, the application of accounting and reporting standards. Newly issued FASB statements had minimal impact on the financial statements.</p>



Forensic Nursing Specialties, Inc.

Required Communications (continued)

Area	Comments
Our Judgments About the Quality and Acceptability of Significant Accounting Principles	
<p>We discuss our judgments about the quality, not just the acceptability, of accounting policies as applied in the financial reporting, including consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>The Center's accounting policies were appropriate, consistently applied and properly (clearly) disclosed. The accounting principles utilized by the Center are similar to those of other nonprofits.</p>
Management Judgments and Accounting Estimates	
<p>The preparation of financial statements requires the use of accounting estimates. These estimates would include the depreciable lives of the building and improvements and equipment. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. We assess the methodologies or processes used and basis of evidence for matters requiring judgment and estimates by management.</p>	<p>Methodologies used and evidence considered has led to reasonable estimates and disclosures in the financial statements. Estimates include the useful lives of property and equipment and recording accounts receivable at this realizable value.</p>
Recorded and Unrecorded Audit Adjustments	
Significant Risks and Expenses and Uncertainties, such as pending litigation that are disclosed in the financial statements	



Forensic Nursing Specialties, Inc.

Required Communications (continued)

Area	Comments
Disagreements with Management on Financial Accounting and Reporting Matters	None. Management's practice is to consult with us regarding accounting matters.
Significant Issues Discussed with Management, including those in connection with the initial or recurring retention of Haines, Isenbarger & Skiba, LLC as auditors	None.
Consultation with Other Accountants	None of which we are aware.
Significant Difficulties During the Audit	None. We received excellent cooperation from management and had access to all records and documents necessary to perform the audit. Management was well prepared and responded to our requests and inquiries in a timely manner.
Fraud and Illegal Acts	We are not aware of any instances of fraud or illegal acts.
Material Weaknesses in Internal Controls	We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.
Compliance and Other Matters	As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported.



Forensic Nursing Specialties, Inc.

Required Communications (continued)

Area	Comments
Compliance with Debt Covenants	We noted no matters of noncompliance with the terms of the line of credit.
Interim Financial Information and Internal Controls	We are not required to and do not perform timely quarterly reviews as required by auditing standards as they relate to publicly-owned companies.
Auditor Independence	We are not aware of any relationships between Haines, Isenbarger & Skiba, LLC and the Center that, in our professional judgment, may reasonably be thought to bear on our independence. Relating to our audit of the financial statements of the Center, we are independent certified public accountants with respect to the Center within the meaning of the applicable published pronouncement of AICPA Independence Standards.

Consideration of Fraud in a Financial Statement Audit

In October 2002, the Auditing Standards Board (ASB) of the AICPA issued Statement on Auditing Standards (SAS) No. 99, *Consideration of Fraud in a Financial Statement Audit*, which supersedes SAS 82. SAS 99 was issued to heighten the awareness of auditors to the potential for fraud when planning and executing audits. SAS 99 also encourages increased professional skepticism and provides additional guidance for auditors in fulfilling their responsibility related to detecting fraud in a financial statement audit. SAS 99 does not change our responsibilities as auditors. Under SAS 99, we are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud. However, the extent of required procedures related to the detection of fraud has increased. We approach all audits with an understanding that fraud could occur in any company or organization at any time, and could be perpetrated by anyone.



Forensic Nursing Specialties, Inc.

New Standards Issued by the AICPA's Auditing Standards Board

Statements on Auditing Standards (SAS) are issued by the AICPA's Auditing Standards Board (ASB). Rule 202 of the AICPA's *Code of Professional Conduct* requires adherence to the applicable generally accepted auditing standards (GAAS) promulgated by the AICPA. Rule 202 recognizes SASs as interpretations of GAAS and requires that members be prepared to justify departures from such statements.

From January 2005 through spring 2006 the ASB issued 11 new SASs.

- SAS No. 102, *Defining Professional Requirements in Statements on Auditing Standards*
- SAS No. 103, *Audit Documentation*

SAS No. 102, Defining Professional Requirements in Statements on Auditing Standards

SAS No. 102 defines the terminology the ASB will use to describe the degrees of responsibility that the requirements impose on the auditor. SAS No. 102 was developed to provide clarifying guidance about the use of terms such as “must,” “is required” and “should” in professional standards.

SAS No. 102 defines two categories of professional requirements:

- *Requirements*—These relate to situations where the auditor is required to comply with the provisions within the standards (i.e., departure from *requirements* is not allowed). A “requirement” is indicated by the words *must* or *is required* in professional standards.
- *Presumptive requirements*—These relate to situations where the auditor is required to comply with the provisions within the standards unless the auditor or practitioner can justify departure. To depart from a presumptive requirement, the auditor must (1) perform alternative procedures that achieve the objectives of the presumptive requirement and (2) document the reason for the departure and how alternative procedures achieved the objectives of the presumptive requirement. The work *should* indicate a presumptive requirement.

SAS No. 102 adds a requirement that the auditor document his or her justification for departures from SASs.



Forensic Nursing Specialties, Inc.

New Standards Issued by the AICPA's Auditing Standards Board (continued)

The ASB believes that by defining the levels of responsibilities, auditing standards will be clarified, thereby assisting auditors with their work and improving the quality of audit engagements.

This SAS, which was issued in December 2005, was effective upon issuance.

SAS No. 103, *Audit Documentation*

This SAS establishes standards and guidance to an auditor on audit documentation for audits of financial statements or other financial information being reported on.

The ASB issued SAS No. 103 due to the fact that issues surrounding audit documentation continue to be discussed resulting from events surrounding recent financial reporting scandals, which occurred after the issuance of existing guidance in SAS No. 96, *Audit Documentation*. Some state regulators and government auditors seek more uniformity in the presentation, filing, and retention of audit documentation of non-public company audits.

In developing SAS No. 103, the ASB considered the documentation requirements in Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 3, *Audit Documentation*, the International Auditing and Assurance Standards Board's ISA 230 (revised), *Audit Documentation* (issued in September 2005), suggestions received from the National Association of State Boards of Accountancy, and *Government Auditing Standards*. As a result, the requirements of this SAS are similar, in most respects, to the requirements of PCAOB Auditing Standard No. 3 and ISA 230 (revised).

This SAS does not apply to audits of financial statements included in annual reports of entities, other than registered investment companies, that file an annual report with the Securities and Exchange Commission.

SAS No. 103 is significantly more specific than SAS No. 96. The SAS—

- Uses an “experienced auditor” as a reference point. An experienced auditor is defined as an individual who possesses the competencies and skills that would have enabled him or her to perform the audit and therefore has an understanding of audit procedures and of auditing and reporting issues relevant to the industry in which the entity operates.



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- Requires the auditor to consider, when preparing audit documentation, the needs of an experienced auditor having no previous connection with the audit to understand the procedures performed, the evidence obtained, and specific conclusions reached.
- Lists factors that the auditor should consider in determining the nature and extent of the audit documentation.
- Requires the auditor to record (a) who performed the audit work and the date of such work and (b) who reviewed specific audit documentation and the date of such review.
- Guides the auditor on how to proceed when making further changes to audit documentation after the delivery of the auditor's report.
- Requires that the auditor assemble the audit documentation to form the final engagement file within 60 days following the delivery of the auditor's report to the entity. After this date, the SAS requires the auditor not to delete or discard existing audit documentation, and to appropriately document any subsequent additions.
- Requires the auditor to document audit evidence that is identified as being contradictory or inconsistent with the final conclusions, and how the auditor addressed the contradiction or inconsistency.
- States that oral explanations on their own do not represent sufficient support for the work the auditor performed or conclusions reached, but may be used by the auditor to clarify or explain information contained in the audit documentation.
- Specifies a minimum file retention period that is ordinarily not expected to be shorter than five years from the date of the auditor's report (unless state statutes require longer retention periods).
- Requires the auditor to document his or her justification for a departure from the SASs in the auditor's working papers, including documentation of how alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.
- Requires that the auditor's report not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements.



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New Standards Issued by the AICPA's Auditing Standards Board (continued)

SAS No. 103 requires the auditor to document significant findings or issues, actions taken to address them, and the basis for the final conclusions reached. The documentation should include evidence of discussions of significant findings or issues with management and others on a timely basis, including responses.

This SAS, which was issued in December 2005, was effective for audits of financial statements for periods ending on or after December 15, 2006. Early application was permissible.

Eight New SASs: The "Risk Assessment SASs"

In March 2006, the ASB issued eight new SASs that relate to the auditor's assessment of risk in a financial statement audit. These standards, referred to as the "Risk Assessment SASs," establish the requirements and provide guidance about the auditor's assessment of the risk of material misstatement in financial statements, whether caused by error or fraud. These standards also establish requirements and provide guidance about the design and performance of audit procedures performed in response to the assessed risks. Furthermore, the new Risk Assessment SASs (SAS Nos. 104-111) establish standards and provide guidance about planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained provides a reasonable basis for the auditor's opinion. These SASs, are affective for audits of financial statements for periods beginning on or after December 15, 2006. Earlier application is permitted.

The eight new Risk Assessment SASs include the following:

1. SAS No. 104, *Amendment to SAS No. 1, Codification of Auditing Standards and Procedures, "Due Professional Care in Performance of Work"*
2. SAS No. 105, *Amendment to SAS No. 95, Generally Accepted Auditing Standards*
3. SAS No. 106, *Audit Evidence*
4. SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*
5. SAS No. 108, *Planning and Supervision*
6. SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*



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New Standards Issued by the AICPA's Auditing Standards Board (continued)

7. SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
8. SAS No. 111, *Amendment to SAS No. 39, Audit Sampling*

These SASs were first issued as exposure drafts in December 2002, initially in response to the August 2000 report of the Public Oversight Board Panel on Audit Effectiveness that included recommendations with respect to assessing inherent risk, assessing control risk, and linking the risk assessments to substantive procedures. In addition, recent major corporate failures have undermined the public's confidence in the effectiveness of audits and led to an intense scrutiny of the work of auditors, and the new guidance has been influenced by these events.

The ASB worked closely with the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) in developing these standards.

Thus, the new SASs are representative of the effort among standard setters to promote the convergence and acceptance of an international set of auditing standards. The ASB believes that the requirements and guidance provided in the Risk Assessment SASs will result in a substantial change in audit practice and in more effective audits. The new SASs change the audit process as follows:

- *Expand the quality and depth of the auditor's required understanding of the entity and its environment, including its internal control*—The standards require the auditor to obtain an understanding of a significantly expanded set of information about specific elements of the entity and its environment. The purpose of the required understanding of this broadened set of information about the client and its environment is to enhance the auditor's ability to identify and assess risks that may lead to material misstatements in the financial statements. The auditor is required to perform risk assessment procedures in all audits to obtain an understanding, including updated information obtained in prior audits that the auditor intends to use in the current audit. The expanded understanding about the client and its environment should also be helpful to the auditor throughout the audit when making judgments about materiality and when critically evaluating audit evidence.
- *Requires the auditor to assess the risks of material misstatements at the financial statement level and at the assertion level on all audits based on the understanding obtained*—The new SASs note that assessing risks of material misstatements encompasses a combined assessment of inherent risk and control risk. The new SASs



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eliminate the auditor's ability to assess "risk at the maximum" without support for that assessment. Thus, auditors will be required to support all risk assessments at whatever level, including risks at the maximum, based on their understanding of the entity and its environment. In addition, the new SASs require the auditor to identify "significant risks" (defined later in this chapter) that require special audit consideration, and risks for which substantive procedures alone will not reduce audit risk to an appropriate level.

- *Eliminates the "default to maximum" for control risk, which should encourage testing of controls*—Auditors will no longer be able to assess control risk "at the maximum" without support for that assessment. Thus, that kind of audit approach can no longer be used as a default audit strategy. Instead, auditors must document the basis for a control risk at maximum assessment. The ASB believes this will encourage the testing of controls in all audits. In addition, the new SASs expand the auditor's requirement to understand internal controls in every audit by also requiring the auditor to evaluate the design of controls, including relevant control procedures over "significant risks," and to determine whether those control procedures have been implemented.
- *Emphasizes importance of the entity's risk assessment process*—The new SASs emphasize that when the auditor identifies potential risks of material misstatements in the financial statements, it is important for the auditor to consider the entity's risk assessment process. To assist the auditor with this consideration, the new SASs discuss how the entity's risk assessment process fits in with the entity's process of setting objectives and strategies and assessing related business risks. When the auditor identifies risks of material misstatements that the entity's risk assessment processes failed to detect, the new SASs require the auditor to consider why the process failed and whether the process is appropriate in the circumstance.
- *Strengthens the linkage between assessed risks and the auditor's responses to those risks*—Because auditors frequently struggle with designing an appropriate audit response to risks identified, the new SASs contain expanded guidance designed to significantly improve the auditor's ability to effectively address the identified risks. Auditors are required to determine both an overall response to address the risks of material misstatements at the financial statement level and a response to assess risks of material misstatements at the assertion level. The new guidance emphasizes the importance of the nature of the audit procedures in responding to assessed risks. The new SASs also require the auditor to perform substantive procedures for "significant risks." These



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substantive procedures consist of tests of details alone or tests of details combined with substantive analytical procedures that are specifically responsive to the identified risks. If the auditor plans to rely on the operating effectiveness of controls to mitigate a significant risk, the auditor is required to obtain all evidence about the operating effectiveness of those controls from tests of controls performed in the current period (i.e., cannot conclude that they are operating effectively based on tests of controls performed in prior audits when the auditor also determined the controls did not change since that testing).

- *Clarifies the auditor's ability to rely on audit evidence gathered in prior audits*—Except for controls related to significant risks, the auditor who plans to rely on controls that have not changed since they were last tested, must perform tests of the operating effectiveness of those controls at least every third audit. As noted in the prior bullet, the auditor must test controls designed to address significant risks in the current audit.
- *Strengthens guidance for testing disclosures*—The new SASs include expanded guidance to specifically address the importance of considering the “completeness” of disclosures and their understandability. The assertions related to presentation and disclosure have been significantly revised to provide this emphasis.
- *Clarifies and expands guidance on evaluating audit findings*—When evaluating audit findings, auditors must now consider the effect of uncorrected misstatements related to prior periods on the current-period financial statements.
- *Expands documentation requirements*—Because the ASB believes that documentation requirements can drive behavior, the new SASs require the auditor to document, among other things, the following items:
 - Results of the risk assessments both at the financial statement level and the assertion levels;
 - The nature, timing, and extent of audit procedures performed;
 - The linkage of auditor responses with the assessed risks at the assertion level; and
 - Results of the audit procedures.



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New Standards Issued by the AICPA's Auditing Standards Board (continued)

Overview of AICPA Auditing Standards Board

The AICPA's Auditing Standards Board (ASB) has set auditing standards for all audits performed in accordance with generally accepted auditing standards up until April 2003. However, the PCAOB's April 16, 2003 Release changed the scope of the ASB dramatically. Now, auditors of publicly traded companies must follow standards adopted by the PCAOB. The PCAOB sets auditing and other professional standards to be used by auditors of publicly traded companies. While the current body of auditing standards previously issued by the ASB has been established with the needs of all entities in mind, the standards to be set by the PCAOB will appropriately focus solely on audits of publicly traded companies.

Because many believe that entities that comply with the provisions of the Sarbanes-Oxley Act and the PCAOB's requirements are likely to have fundamentally different financial reporting systems and corporate governance structures than nonpublic issuers, the ASB is continuing to set standards for nonpublic entities. The ASB's permission or authority to set auditing standards is vested in state board of accountancy, certain federal regulators, and other users of audited financial statements.

Currently, 47 state boards include a reference to auditing standards issued by the AICPA's ASB in their regulations or statutes. Preserving that reference is critical. Also, the Government Accounting Office (GAO) currently recognizes SASs as its core auditing standards, with GAO-specific standards as add-ons.

The AICPA's vision for the ASB is for it to continue in its role as a thought leader in the development of auditing standards and to work with regulators and other stakeholders in the development of those standards. To fulfill its responsibilities, the AICPA Board of Directors has reconstituted the ASB. Membership on the ASB has been adjusted to match its focus on establishing standards for CPAs to follow in the conduct of audits of nonpublic issuers.

In early 2005, the AICPA announced that one of the major points of focus for the ASB will be to work towards harmonizing U.S. GAAS with international auditing standards. In fact, the ASB will work closely with the International Auditing and Assurance Standards Board (IAASB) with the goal of embracing international standards as U.S. GAAS for audits of nonpublic companies. When needed, the ASB will tailor international standards for unique issues affecting the U.S. audit services market before adopting them as U.S. standards.



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New Standards Issued by the AICPA's Auditing Standards Board (continued)

The ASB now consists of 19 members (the ASB formerly consisted of 15 members) representing small and large practice units, state boards of accountancy, academia, government, the public, and users of nonpublic entity financial statements. The ASB has been reconstituted to:

- Act as the profession's voice on auditing standards as they relate to audits of nonpublic entities, and when commenting on the proposed standards of other auditing standards setters, including the GAO, IAASB, and the PCAOB.
- Serve as the profession's think tank on the strategic direction of auditing standards.
- Work closely with the IAASB and consider how changes in international standards affect U.S. auditing standards for nonpublic entities.
- Assist in rebuilding the public's trust in the CPA's audit report.
- Commission research that will continuously improve the auditing profession.
- Address, in a timely manner, the needs of users of nonpublic entity financial statements.
- Promulgate audit, attest, and quality control standards for engagements involving nonpublic entities.
- Issue clear authoritative guidance for auditors of nonpublic entities.
- Work with the AICPA staff to develop nonauthoritative guidance for practitioners serving the public, nonpublic, government, nonprofit, and for-profit entities.



Forensic Nursing Specialties, Inc.

Report on Internal Controls

Board of Directors
Forensic Nursing Specialties, Inc.

Board Members:

In planning and performing our audit of the financial statements (modified cash basis) of Forensic Nursing Specialties, Inc. doing business as Fort Wayne Sexual Assault Treatment Center (Center) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements 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 misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and the Board of Directors of the Center, and is not intended to be and should not be used by anyone other than these specified parties.

Haines, Isenbarger & Skiba, LLC

April 30, 2008