



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS
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February 2, 2010

Board of Directors
Key Consumer Organization, Inc.
2506 Willowbrook Pkwy, Ste. 199
Indianapolis, IN 46205

We have reviewed the audit report prepared by Greenwalt Sponsel & Co., Inc., 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 Key Consumer Organization, 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.

We call your attention to the findings in the report. The management letter contains six comments.

STATE BOARD OF ACCOUNTS

KEY CONSUMER ORGANIZATION, INC.

Financial Statements

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

June 30, 2007

Greenwalt Sponsel & Co., Inc.

We Deliver Peace of Mind

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Key Consumer Organization, Inc.:

We have audited the accompanying statement of financial position of Key Consumer Organization, Inc., a not-for-profit corporation, as of June 30, 2007 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Key Consumer Organization, Inc. as of June 30, 2007, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Greenwalt Sponsel & Co., Inc.

March 15, 2008

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KEY CONSUMER ORGANIZATION, INC.*Statement of Financial Position**June 30, 2007***ASSETS****Current Assets**

Cash	\$	37,883
Grants receivable		13,620
Deposits		1,275

Total current assets 52,778

Property and Equipment

Property and equipment		16,170
Accumulated depreciation		(7,985)

Net property and equipment 8,185

Total Assets \$ 60,963

LIABILITIES AND NET ASSETS**Current Liabilities**

Current portion of capital lease	\$	1,128
Accounts payable		1,509
Fiscal sponsorship payable		2,711
Accrued salaries and related benefits		4,153

Total current liabilities 9,501

Long-Term Liabilities

Capital lease, net of current portion		1,317
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Total Liabilities 10,818

Commitment (Note 3)

Net Assets 50,145

Total Liabilities and Net Assets \$ 60,963

KEY CONSUMER ORGANIZATION, INC.

Statement of Activities

For the Year Ended June 30, 2007

Revenues and Support

Governmental revenue:	\$	168,900
State of Indiana Peer Support/Advocacy revenue		14,784
Program income		531
Contributions		2,423
Other income		
		<u>186,638</u>
<i>Total revenues and support</i>		

Expenses

Program services		117,399
Management and general		58,492
		<u>175,891</u>
<i>Total expenses</i>		

Change in Net Assets

		10,747
		<u>39,398</u>
Net Assets, Beginning of Year		
		<u>\$ 50,145</u>
Net Assets, End of Year		

KEY CONSUMER ORGANIZATION, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2007

	Program Services	Management and General	Total
Salaries	\$ 50,952	\$ 21,837	\$ 72,789
Payroll taxes	4,257	1,825	6,082
Employee benefits	12,594	5,397	17,991
Computer expenses	628	2,513	3,141
Office expense	3,299	4,949	8,248
Rent	3,438	13,752	17,190
Repairs and maintenance	-	39	39
Training	1,567	82	1,649
Travel	6,012	316	6,328
Insurance	349	524	873
Advertising	328	491	819
Copier expense	286	50	336
Program expense	25,353	-	25,353
Professional fees	3,407	2,271	5,678
Depreciation	-	1,916	1,916
Penalties	-	164	164
Telephone	4,276	926	5,202
Miscellaneous	653	1,440	2,093
<i>Total functional expenses</i>	<u>\$ 117,399</u>	<u>\$ 58,492</u>	<u>\$ 175,891</u>

See accompanying notes to financial statements.

DECREASE IN CASH

Cash Flows from Operating Activities	\$ 170,595
Cash received from grantors and others	(169,589)
Cash paid to suppliers and employees	<u>2,423</u>
Other income	3,429
<i>Net cash provided by operating activities</i>	
Cash Flows from Investing Activities	(3,282)
Capital expenditures	
Cash Flows from Financing Activities	<u>(1,128)</u>
Payments on capital lease	(981)
Net Decrease in Cash	<u>38,864</u>
Cash, Beginning of Year	\$ 37,883
Cash, End of Year	<u><u>37,883</u></u>

KEY CONSUMER ORGANIZATION, INC.

Statement of Cash Flows, Continued
For the Year Ended June 30, 2007

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**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	<u>\$ 10,747</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	1,916
Depreciation	(13,620)
Increase in operating assets:	
Grants receivable	1,509
Increase in operating liabilities:	
Accounts payable	2,711
Fiscal sponsorship payable	166
Accrued salaries and related benefits	
	<u>(7,318)</u>
Total adjustments	
Net Cash Provided by Operating Activities	<u><u>\$ 3,429</u></u>

See accompanying notes to financial statements.

KEY CONSUMER ORGANIZATION, INC.

Notes to Financial Statements

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Key Consumer Organization, Inc. (the Organization) provides referral services to consumers of mental health services. The Organization acts as an advocate for consumers and also provides training, quarterly newsletters, literature and educational workshops. The Organization also operates a Peer Support Program to provide a multitude of services to persons with a serious mental illness.

Basis of Accounting

The accompanying statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization has adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. All net assets were unrestricted at June 30, 2007.

Contributions and Grants

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred.

Tax Status

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation under Section 509(a) of the Internal Revenue Code.

Advertising

The Organization incurred \$819 in advertising expense for the year ended June 30, 2007. These costs were expensed as incurred.

Expense Allocation

Expenses have been classified as program services and management and general based on actual direct expenditures and cost allocation based on estimates of time and usage by the Organization's personnel and programs.

KEY CONSUMER ORGANIZATION, INC.

Notes to Financial Statements

June 30, 2007

2. CAPITAL LEASE

The Organization has a capital lease for equipment with a total cost of \$4,513. Accumulated amortization on the leased asset was \$865 at June 30, 2007. This lease has terms of forty-eight (48) months and requires monthly lease payments totaling \$94 through August 2009.

Future minimum lease payments for the years ending June 30 are as follows:

2008	\$	1,128
2009		1,128
2010		<u>189</u>
	\$	<u>2,445</u>

3. OPERATING LEASE

The Organization leases office space under an operating lease expiring in January 2011. The monthly rental payments are \$1,275 through January 2008 and \$1,428 through January 2011. The Organization also has an escalation agreement in the lease which covers operating expenses to maintain the building. The escalation payments are estimated monthly and the final amount owed is determined at the end of the calendar year.

Future minimum rental payments for the years ending June 30 are as follows:

2008	\$	16,065
2009		17,136
2010		17,136
2011		<u>9,996</u>
	\$	<u>60,333</u>

4. DONATED SERVICES

The Organization receives pro bono legal services from the Community Development Law Center (CDLC). The estimated in-kind services rendered to Key Consumer by CDLC for the year ended June 30, 2007 is \$900. These transactions have been treated as non-cash transactions and are excluded from the accompanying statement of cash flows.

5. RELATED PARTY TRANSACTIONS

The Organization paid two family members of the Bureau Chief of the Organization's main funding agency \$1,133 during the year ended June 30, 2007 for computer consulting and website design.

6. REVENUE CONCENTRATION

During fiscal year 2007, the Organization received two grants which comprised approximately 71.0% and 19.5% of revenue.

GS&Co Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

To the Board of Directors and Management of
Key Consumer Organization, Inc.:

In planning and performing our audit of the financial statements of Key Consumer Organization, Inc. (the Organization) for the year ended June 30, 2006, we considered the Organization's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 caused by error or fraud 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 two matters involving the internal controls and its operation that we consider to be material weaknesses as defined above. We believe that the following conditions constitute material weaknesses:

1. In reviewing procedures and controls related to cash receipts and disbursements functions, we noted that the Bookkeeper has more responsibility than is optimal. For instance, she receives and deposits receipts, approves disbursements, signs checks, receives and reviews unopened bank statements and cancelled checks, and prepares bank reconciliations. This condition could provide an opportunity for misappropriation of funds or undetected errors. In order to mitigate this condition, we recommend that the Executive Director receive and review unopened bank statements and cancelled checks. This control usually takes no more than an hour each month and provides a supervisory control that can help prevent or detect improper or unauthorized disbursements. To improve the authorization of disbursements, we recommend that one person be allowed to sign checks under a certain threshold (such as \$500-\$1,000). Checks over that threshold should require a second signature.
2. During our testing, proper support for several disbursements could not be found. We recommend having supporting invoices and/or receipts kept and filed with the check stub.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements. We consider the following conditions to be reportable conditions in internal control:

1. In reviewing procedures and controls related to payroll, we noted that the Executive Director receives timecards, submits payroll to Advantage, reviews the processed payroll report from Advantage, and hands out paychecks. In order to improve the segregation of duties over payroll, we recommend that someone besides the Executive Director submit the payroll to Advantage or that a Board volunteer review payroll reports.

We Deliver Peace of Mind

2. The Organization does not document all board of director meetings. The Organization's board of director meetings should be documented in written minutes in order to provide verification of the actions and decisions relating to the Organization's policies, procedures, intentions, or actions. Historical summarization of these decisions is critical, not only as a guide for the Organization, but also as evidence in any legal proceedings or Internal Revenue Service examinations. We recommend that the Organization assigns an individual the responsibility of keeping notes at each meeting, subsequently typing them, obtaining appropriate review and approval of them, and placing them in a minute book.

These reportable conditions and material weaknesses were considered in determining the nature, timing and extent of the audit tests applied in our audit of the June 30, 2006 financial statements, and this communication does not affect our report on those financial statements dated March 15, 2008. We have not considered internal control since the date of our report.

We have included comments and suggestions below with respect to other matters that came to our attention during the audit. These matters are offered for the consideration of management:

Other Matters

1. Checks received in the mail which are not deposited the same day should be put in a locked filing cabinet or drawer until the deposit is made. Access should be limited.
2. We noted that the Organization does not have a set policy for capitalization of fixed assets. We recommend that the Board establish a threshold for the capitalization of assets and items below the threshold should be expensed. This will result in a more uniform treatment of property and equipment.

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

Greenwald Sponkel & Co., Inc.

March 15, 2008