



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 3, 2010

Board of Directors
Aging and In-Home Services of
Northeast Indiana, Inc. and Affiliate
2927 Lake Ave.
Fort Wayne, IN 46805

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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 Aging and In-Home Services of Northeast Indiana, Inc. and Affiliate, as of June 30, 2008, 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. Pages 20 and 21 contain two current audit findings. Pages 23 through 25 contain the status of seven prior audit findings. Management's response and corrective action plan is on pages 26 through 28.

STATE BOARD OF ACCOUNTS

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORT

**AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC.
AND AFFILIATE**

June 30, 2008 and 2007

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**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULE**

To the Board of Directors
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

We have audited the accompanying consolidated statements of financial position of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") as of June 30, 2008 and 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 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 consolidated financial position of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE as of June 30, 2008 and 2007, and the consolidated changes in its net assets and its consolidated 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 December 12, 2008 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidated schedule of expenditures of federal and nonfederal awards on page 13 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated

financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Cullen & Associates, P.C.

December 12, 2008

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AF FILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 227,700	\$ 155,855
Grants and contributions receivable	669,900	840,548
Accounts receivable	34,613	28,329
Property and equipment	<u>1,438,499</u>	<u>1,507,433</u>
<i>Total assets</i>	<u>\$ 2,370,712</u>	<u>\$ 2,532,165</u>
 Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 501,539	\$ 641,745
Refundable advances	144,617	177,717
Long-term debt	<u>1,284,972</u>	<u>1,341,634</u>
<i>Total liabilities</i>	<u>1,931,128</u>	<u>2,161,096</u>
 Net Assets:		
Unrestricted	439,584	367,184
Temporarily restricted	<u>-</u>	<u>3,885</u>
<i>Total net assets</i>	<u>439,584</u>	<u>371,069</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,370,712</u>	<u>\$ 2,532,165</u>

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AF FILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	2008			2007		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:						
Grants and fees	\$ 6,637,795	\$ -	\$ 6,637,795	\$ 6,386,279	\$ -	\$ 6,386,279
Program service revenue	195,232	-	195,232	159,695	-	159,695
Contributed cash	97,347	-	97,347	33,963	12,500	46,463
Contributed facilities	112,870	-	112,870	57,546	-	57,546
Interest income	8,283	-	8,283	8,361	-	8,361
Other	11,380	-	11,380	12,240	-	12,240
Net assets released from restrictions	3,885	(3,885)	-	8,615	(8,615)	-
<i>Total revenues, gains, and other support</i>	<u>7,066,792</u>	<u>(3,885)</u>	<u>7,062,907</u>	<u>6,666,699</u>	<u>3,885</u>	<u>6,670,584</u>
Expenses:						
Nutrition	1,402,923	-	1,402,923	1,199,722	-	1,199,722
Area Agency on Aging	4,350,866	-	4,350,866	4,171,199	-	4,171,199
Senior Employment	-	-	-	60,799	-	60,799
Case Management	597,596	-	597,596	560,744	-	560,744
Management and general	643,007	-	643,007	647,894	-	647,894
<i>Total expenses</i>	<u>6,994,392</u>	<u>-</u>	<u>6,994,392</u>	<u>6,640,358</u>	<u>-</u>	<u>6,640,358</u>
Change in net assets	72,400	(3,885)	68,515	26,341	3,885	30,226
Net assets, beginning of year	367,184	3,885	371,069	340,843	-	340,843
<i>Net assets, end of year</i>	<u>\$ 439,584</u>	<u>\$ -</u>	<u>\$ 439,584</u>	<u>\$ 367,184</u>	<u>\$ 3,885</u>	<u>\$ 371,069</u>

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2008 and 2007

	2008					2007					
	<u>Nutrition</u>	Area Agency <u>on Aging</u>	Case <u>Management</u>	Management <u>and General</u>	<u>Total</u>	<u>Nutrition</u>	Area Agency <u>on Aging</u>	Senior <u>Employment</u>	Case <u>Management</u>	Management <u>and General</u>	<u>Total</u>
Personnel	\$ 565,375	\$ 1,031,888	\$ 541,916	\$ 419,367	\$ 2,558,546	\$ 539,156	\$ 988,573	\$ 4,543	\$ 469,006	\$ 442,523	\$ 2,443,801
Stipends	-	-	-	-	-	-	-	56,012	-	-	56,012
Food	502,900	56,832	-	-	559,732	409,250	36,736	-	-	-	445,986
Meal delivery	116,270	-	-	-	116,270	100,511	-	-	-	-	100,511
Home health care	-	2,230,596	-	-	2,230,596	-	2,172,804	-	-	-	2,172,804
Adult day care	-	90,750	-	-	90,750	-	51,424	-	-	-	51,424
Respite services	-	180,727	-	-	180,727	-	62,799	-	-	-	62,799
Transportation services	-	352,038	-	-	352,038	-	536,763	-	-	-	536,763
Other assistance	-	177,095	-	-	177,095	-	151,602	-	-	-	151,602
Occupancy	127,579	23,087	7,486	12,899	171,051	70,338	22,173	-	9,008	10,555	112,074
Telephone	10,299	13,721	2,482	6,919	33,421	17,930	11,688	-	5,182	8,011	42,811
Postage	3,375	12,167	1,270	7,081	23,893	4,443	6,789	-	2,434	5,732	19,398
Contracted services	8,987	23,508	1,609	21,541	55,645	5,027	7,749	-	1,968	13,787	28,531
Materials and supplies	19,458	36,981	4,562	15,212	76,213	9,954	22,632	-	10,185	10,504	53,275
Insurance	5,000	5,888	1,148	7,638	19,674	4,307	5,049	-	2,311	7,968	19,635
Equipment expense	10,660	37,912	10,399	11,952	70,923	5,531	28,698	-	32,036	14,342	80,607
Travel	5,011	26,751	12,973	8,697	53,432	10,886	26,856	166	13,744	4,641	56,293
Dues and subscriptions	3,862	4,487	475	9,786	18,610	3,331	2,405	-	426	11,514	17,676
Conferences and training	1,821	14,667	1,018	17,001	34,507	1,224	5,671	78	1,840	4,033	12,846
Depreciation	15,372	30,538	12,132	10,892	68,934	14,309	30,069	-	12,408	12,146	68,932
Interest	-	-	-	88,634	88,634	-	-	-	-	92,750	92,750
Other	6,954	1,233	126	5,388	13,701	3,525	719	-	196	9,388	13,828
<i>Totals</i>	<u>\$ 1,402,923</u>	<u>\$ 4,350,866</u>	<u>\$ 597,596</u>	<u>\$ 643,007</u>	<u>\$ 6,994,392</u>	<u>\$ 1,199,722</u>	<u>\$ 4,171,199</u>	<u>\$ 60,799</u>	<u>\$ 560,744</u>	<u>\$ 647,894</u>	<u>\$ 6,640,358</u>

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

Change in Cash and Cash Equivalents:	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 68,515	\$ 30,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,934	68,932
Change in assets and liabilities:		
Grants and contributions receivable	170,648	(124,612)
Accounts receivable	(6,284)	(8,874)
Bank overdraft	-	(175,142)
Accounts payable and accrued liabilities	(140,206)	187,821
Refundable advances	<u>(33,100)</u>	<u>161,357</u>
<i>Net cash provided by operating activities</i>	<u>128,507</u>	<u>139,708</u>
Cash Flows from Financing Activities:		
Payment of long-term debt	<u>(56,662)</u>	<u>(54,026)</u>
Net change in cash and cash equivalents	71,845	85,682
Cash and cash equivalents, beginning of year	<u>155,855</u>	<u>70,173</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 227,700</u>	<u>\$ 155,855</u>

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. (the "Organization") is an Indiana nonprofit corporation whose mission is to promote dignity, independence, and advocacy for all older adults and persons with disabilities. It provides services to clients in Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley counties in the State of Indiana. The Organization's operations are supported primarily by grants from governmental agencies and other nonprofit organizations.

Significant Accounting Policies:

Consolidation:

The accompanying consolidated financial statements include the accounts of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. and AREA III PROPERTIES, INC. because the two entities share the same Board of Directors and because AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. has an economic interest in AREA III PROPERTIES, INC. AREA III PROPERTIES, INC. is an Indiana nonprofit corporation organized exclusively to hold property leased to AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC.

All material transactions and balances between the Organizations have been eliminated in these consolidated financial statements.

Use of estimates:

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

The costs of providing the programs and the supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting service benefited based on management's best estimates.

Because the Organization receives the majority of its support from grants and contracts awarded through competitive bidding and from private entities interested in the Organization's purpose, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets:

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants and contributions:

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

The Organization reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, contributions received with donor-imposed restrictions in which the restrictions are satisfied in the same reporting period are reported as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No contributed services were recognized in the accompanying financial statements because the criteria for recognition have not been met. Management estimates the value of contributed services received during the years ended June 30, 2008 and 2007 that did not meet the criteria for recognition to be approximately \$65,000 and \$61,000, respectively.

The Organization uses certain facilities for its nutrition program without charge or at reduced charge. The difference between the fair value for the use of these facilities and their cost are recognized as revenue and expense. The Organization recognized \$112,870 and \$57,546 of contributed facilities for 2008 and 2007, respectively, in the accompanying financial statements.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 and 2007

Fees for services:

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities.

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Equipment with a unit cost below \$5,000 is expensed in the period acquired. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Building	10-40 years
Equipment.....	5-10 years

All of the Organization's equipment has been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives.

Advertising:

Advertising costs are expensed when incurred. There was no advertising expense for either year ended June 30, 2008 or 2007.

Income taxes:

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. AREA III PROPERTIES, INC. is exempt from income taxes under Internal Revenue Code Section 501(c)(2) and a similar section of the Indiana Code. Consequently, the accompanying financial statements do not include any provision for income taxes. The Internal Revenue Service classifies both entities as other than private foundations under Internal Revenue Code Section 509(a)(1).

Reclassifications:

Certain expenses in the 2007 statements of activities and functional expenses have been reclassified to conform to classifications used in the 2008 statements. Such reclassifications had no effect on the change in net assets for the year ended June 30, 2007.

NOTE 2. GRANTS, CONTRIBUTIONS, AND ACCOUNTS RECEIVABLE AND REFUNDABLE ADVANCES

Grants and contributions receivable consist of reimbursements due under government cost-reimbursement awards and unconditional promises to give to the Organization. All amounts are due within one year and no allowance for uncollectibles is considered necessary. Accounts receivable consist of amounts due for services rendered. No allowance for uncollectibles is considered necessary.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

At June 30, 2008, the Organization had received approximately \$105,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

At June 30, 2008 and 2007, the Organization had received \$144,617 and \$177,717, respectively, in advances on cost-reimbursement grants in excess of allowable costs incurred that are reported as refundable advance liabilities in the accompanying statements of financial position. Such advances are required to be returned if the Organization does not incur allowable costs by the end of the grant periods.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Land	\$ 159,675	\$ 159,675
Building	<u>1,657,962</u>	<u>1,657,962</u>
	1,817,637	1,817,637
Less accumulated depreciation	<u>(379,138)</u>	<u>(310,204)</u>
<i>Net property and equipment</i>	<u>\$ 1,438,499</u>	<u>\$ 1,507,433</u>

NOTE 4. DEBT AND SUBSEQUENT EVENT

In both 2008 and 2007, the Organization maintained a \$250,000 bank line of credit, bearing interest at bank prime, collateralized by substantially all assets of the Organization. No borrowings were outstanding on the line at either June 30, 2008 or 2007.

Long-term debt consists of the following at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Note payable, bank, due in monthly payments of \$10,688, including interest at 6.58%, through September 2008, with a balloon payment due at that time, collateralized by a mortgage on the Organization's facilities	\$ 1,225,156	\$ 1,269,817
Note payable, bank, due in monthly payments of \$1,000 plus interest at 6.5%, through November 2009, collateralized by a mortgage on the Organization's facilities	<u>59,816</u>	<u>71,817</u>
<i>Total long-term debt</i>	<u>\$ 1,284,972</u>	<u>\$ 1,341,634</u>

In August 2008, the Organization refinanced both of the above notes into one new note, which is due in monthly payments of \$11,250, including interest at 6.0%, through August 2013, with a balloon payment due at that time, and that is collateralized by a mortgage on the Organization's facilities.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

Maturities of the new debt for each of the next five years and in the aggregate are as follows:

2009	\$ 49,352
2010	62,565
2011	66,424
2012	70,521
2013	74,871
Thereafter	<u>961,230</u>
	<u>\$ 1,284,963</u>

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2007 were available for the long-term care ombudsman program. Net assets were released from restrictions during both years ended June 30, 2008 and 2007 by incurring expenses satisfying restricted purposes specified by donors for the long-term care ombudsman program.

NOTE 6. RETIREMENT PLAN

The Organization maintains a defined-contribution tax-deferred annuity pension plan covering substantially all of its employees. Pension costs are funded in the period that they accrue. Pension expense was \$28,431 and \$30,651 for the years ended June 30, 2008 and 2007, respectively.

NOTE 7. CONTINGENCY

In 2007, costs of approximately \$26,000 charged to a certain grant were questioned by audit as possibly not complying with grantor requirements. The Organization has contested the finding, but has not received a response from the awarding agency who may request refunds of some or all of the questioned costs. Management does not believe it is probable that the awarding agency will request a refund of a material amount. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

NOTE 8. CONCENTRATIONS

All of the Organization's programs and activities occur in Northeast Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the years ended June 30, 2008 and 2007, approximately 94% and 96%, respectively, of total revenues were received from state and federal governmental sources, with approximately 85% and 88%, respectively, of total revenues received from Indiana Family and Social Services Administration.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contributions receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 and 2007

insurance limit of the Federal Deposit Insurance Corporation. At June 30, 2008, the Organization had cash on deposit with a financial institution that exceeded the federal insurance limit by approximately \$234,000. Grants and contributions receivable are due primarily from Indiana Family and Social Services Administration under contracts and cost-reimbursement grants, which represent a concentration of credit risk.

NOTE 9. SUPPLEMENTAL CASH FLOWS INFORMATION

The Organization paid \$88,634 and \$92,750 in interest during the years ended June 30, 2008 and 2007, respectively.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AF FILIATE
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Agreement Numbers</u>	<u>Expenditures</u>
Federal Expenditures:			
<i>U.S. Department of Health and Human Services:</i>			
Passed-through Indiana Family and Social Services Administration:			
Aging Cluster:			
Special Programs for the Aging:			
Title III, Part B - Grants for Supportive Services			
and Senior Centers	93.044	02-08-OV-1531-01/03	\$ 649,715
Title III, Part C - Nutrition Services			
Nutrition Services Incentive Program	93.045	02-08-OV-1531-05/-07	859,014
	93.053	02-08-02-1531-01	<u>74,468</u>
<i>Total aging cluster</i>			<u>1,583,197</u>
Title VII - Long-Term Care Ombudsman Services			
for Older Individuals	93.042	02-08-OV-1531-03	23,019
Special Program for the Aging-Disease Prevention			
and Health Promotion Services	93.043	02-08-OV-1531-09	31,761
National Family Caregiver Support			
Social Services Block Grant	93.052	02-08-OV-1531-11	233,103
Medical Assistance Program			
Centers for Medicare and Medicaid Services	93.667	02-08-OC-1531-01	681,129
	93.778	02-08-70-1531-01	337,272
	93.779	02-08-3N-1531-01	<u>10,763</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,900,244</u>
Nonfederal Expenditures:			
<i>Indiana Family and Social Services Administration:</i>			
CHOICE			
		02-08-10-1531-01	2,937,986
Assisted Living Ombudsman			
		02-08-2V-1531-01	20,584
Older Hoosier Act			
		02-08-OM-1531-01	136,285
Medicaid reimbursements			
		n/a	<u>642,696</u>
<i>Total nonfederal expenditures</i>			<u>3,737,551</u>
Total federal and nonfederal expenditures			<u>\$ 6,637,795</u>

The accompanying notes are an integral part of this consolidated schedule.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL
AND NONFEDERAL AWARDS
Year Ended June 30, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying consolidated schedule includes the federal and nonfederal grant activities of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. and its affiliate, AREA III PROPERTIES, INC. (the "Organization"), and is presented in conformity with accounting principles generally accepted in the United States of America. The information in the schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

The Organization provided no federal awards to subrecipients during the year ended June 30, 2008.

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

We have audited the consolidated financial statements of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. 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 the Organization's internal control over financial reporting 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Organization's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

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 Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in

the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 08-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's response to the findings identified in our audit is described in the accompanying auditee's response and corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

December 12, 2008



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

Compliance

We have audited the compliance of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") 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 each of its major federal programs for the year ended June 30, 2008. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 on the Organization's compliance with those requirements.

In our opinion, AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE 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, 2008.

Internal Control over Compliance

The management of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The Organization's response to the findings identified in our audit is described in the accompanying auditee's response and corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

December 12, 2008

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued-	Unqualified
Internal control over financial reporting-	
Significant deficiencies identified?	Yes
Material weaknesses identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs-	
Significant deficiencies identified?	No
Material weaknesses identified?	No
Type of auditor's report issued on compliance for major programs-	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.044; 93.045; 93.053 (Aging Cluster)	Special Programs for the Aging, Title III, Part B ó Grants for Supportive Services and Senior Centers; Special Programs for the Aging, Title III, Part C - Nutrition Services; Nutrition Services Incentive Program
93.667	Social Services Block Grant
93.778	Medical Assistance Program
Dollar threshold used to distinguish between type A and type B programs-	\$300,000
Auditee qualified as low-risk auditee, as defined in Section 530 of Circular A-133?	No

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section 2 – Findings in Financial Statements Audit

SIGNIFICANT DEFICIENCY

FINDING 08-1

Condition:

The President does not indicate her review of quarterly bank statement reconciliations.

Criteria:

The Organization's Finance Policy #G6.4.06 requires the President to review all bank statement reconciliations quarterly. In addition, OMB Circular A-110, Subpart C, Section 21(b)(3) requires effective internal control over and accountability for all funds, property, and other assets and that recipients shall adequately safeguard all funds, property, and other assets.

Effect:

The Organization is not documenting that it is following its own internal policies and complying with an important internal control over cash.

Recommendations:

We recommend that the Organization document its compliance with its own internal policy on this matter. The President should indicate her review of the quarterly bank reconciliations by initialing and dating the bank reconciliations.

Views of Responsible Officials:

Effective July 2008 AIHS has enhanced the bank reconciliation procedure by adding a bookkeeper to have more separation of duties. The process is as follows:

President receives the bank statement unopened and reviews for large or unusual reconciling items, initialing and dating them. The newly hired bookkeeper does the bank reconciliation. Vice President of Finance reviews the bank reconciliation, initials, and dates.

MATERIAL WEAKNESS

FINDING 08-2

Condition:

As part of our audit we drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with U.S. generally accepted accounting principles in the preparation of those financial statements and related disclosures because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of the audit function, new professional standards require that we now communicate this to you

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Criteria:

Internal controls should be in place to provide reasonable assurance that all transactions are properly recorded and that financial statements are complete, including related disclosures.

Effect:

The overall financial statements, including disclosures, would not be completely in accordance with U.S. generally accepted accounting principles without our assistance.

Recommendations:

We recommend that the Vice President of Finance and any related accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply with U.S. generally accepted accounting principles or to request assistance from another accounting firm when circumstances require.

Views of Responsible Officials:

To obtain necessary and applicable knowledge, AIHS staff will attend seminars, read and educate in GAAP, particularly FAS 116 and 117. AIHS staff will also have access to relevant publications in order to keep abreast with the changing requirements with Non-Profit GAAP.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section 3 – Findings in Major Federal Award Programs Audit

There were no findings in the major federal awards program audit.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

Findings in Financial Statements Audit

FINDING 07-1

Condition:

There is an inadequate segregation of duties over cash disbursements. The Vice President of Finance maintains the general ledger, has access to the blank check stock, generally opens bank statements, prepares bank reconciliations, and has access to the President's signature stamp.

Recommendations:

We recommended that the Organization either adopt a policy prohibiting the use of signature stamps or limit access to them to those on the stamp. Additionally, we recommended that the President open and review all bank statements and canceled checks for unusual amounts and payees. We also recommend the President initial and date the bank statements to document that review.

Current status:

The recommendations were adopted. No similar finding was noted in 2008.

FINDING 07-2

Condition:

The President does not review bank statement reconciliations.

Recommendations:

We recommended the Organization follow its own internal policy on this matter. The President should review the bank reconciliations for large or unusual reconciling items. This review should be indicated by the President's initialing and dating of the bank reconciliations.

Current status:

This is a repeat finding at finding 08-1.

FINDING 07-3

Condition:

Net assets in the general ledger at the beginning of the year did not agree to net assets at the end of the prior year because the prior year audit adjustments were not posted to the general ledger.

Recommendations:

We recommended that all audit adjustments be posted to the general ledger and that beginning net assets be agreed to ending net assets in the prior year audited financial statements.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

Current status:

The recommendations were adopted and no similar finding was noted in 2008.

FINDING 07-4

Condition:

As part of our audit we drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with U.S. generally accepted accounting principles in the preparation of those financial statements and related disclosures because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of the audit function, new professional standards require that we now communicate this to you because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Recommendations:

We recommended that the Vice President of Finance and any related accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply with U.S. generally accepted accounting principles or to be able to request assistance from another accounting firm when circumstances require.

Current status:

This is a repeat finding at finding 08-2.

FINDING 07-5

Condition:

The Organization does not have a policy for investigating and properly disposing of old outstanding bank reconciliation items.

Recommendations:

We recommended that the Organization adopt a policy of investigating and properly disposing of all bank reconciling items more than two months old. Payees for old outstanding checks should be contacted; if the check has been lost, a stop payment order should be entered and the check be re-issued; if the check has been cashed, it should be determined why it is still listed as outstanding; and if the payee cannot be located, Indiana's escheat law on unclaimed property should be followed. All unknown reconciling items should be investigated and properly accounted for.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

Current status:

The recommendation was adopted. No similar finding was noted in 2008.

FINDING 07-6

Condition:

Client donations are collected at various congregate nutrition sites, and Site Directors and volunteer jointly count the donations and sign the nutrition site daily log as a control over cash receipts. However, we noted that two of the seventeen sites often lacked signatures on the log to evidence the joint counting of donations.

Recommendations:

We recommended the Organization follow its internal policies regarding this matter by requiring all donations be counted jointly by the Site Director and a volunteer with a jointly signed indication of the count on the nutrition site daily log sheet.

Current status:

The recommendations were adopted. No similar finding was noted in the 2008 audit.

Findings in Major Federal Award Programs Audit

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Passed-Through Indiana Family and Social Services Administration
CFDA Number 93.045
Special Programs for the Aging, Title III, Part C – Nutrition Services

FINDING 07-7

Condition:

The Organization's indirect cost allocation plan allocates administrative costs to awards based, in part, on relative federal and state program funding.

Recommendations:

We recommended the Organization modify its cost allocation plan to comply with the requirements of OMB Circular A-122.

Current status:

The recommendations were adopted. No similar finding was noted in the 2008 audit.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN
Year Ended June 30, 2008

AGING AND IN-HOMES SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE respectfully submits the following response and corrective action plan for the year ended June 30, 2008.

Contact Information of Independent Public Accounting Firm:

Richard J. Cullar, CPA
Cullar & Associates, PC, Certified Public Accountants
209 North Main Street, Suite 200
South Bend, IN 46601
(574)-288-8320
RCullar@Cullar.com

Contact Information of Auditee:

Claire Dokmecian, Vice President of Finance
Aging and In-Home Services of Northeast Indiana, Inc.
2927 Lake Avenue
Fort Wayne, IN 46805
(260) 745-1200
cdokmecian@agingihs.org

SECTION 2 – FINDINGS IN FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

FINDING 08-1

Condition:

The President does not indicate her review of quarterly bank statement reconciliations.

Criteria:

The Organization's Finance Policy #G6.4.06 requires the President to review all bank statement reconciliations quarterly. In addition, OMB Circular A-110, Subpart C, Section 21(b)(3) requires effective internal control over and accountability for all funds, property, and other assets and that recipients shall adequately safeguard all funds, property, and other assets.

Effect:

The Organization is not documenting that it is following its own internal policies and complying with an important internal control over cash.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN
Year Ended June 30, 2008

Recommendations:

We recommend that the Organization document its compliance with its own internal policy on this matter. The President should indicate her review of the quarterly bank reconciliations by initialing and dating the bank reconciliations.

Auditee's Response and Corrective Action Plan:

Effective July 2008 AIHS has enhanced the bank reconciliation procedure by adding a bookkeeper to have more separation of duties. The process is as follows:

President receives the bank statement unopened and reviews for large or unusual reconciling items, initialing and dating them. The newly hired bookkeeper does the bank reconciliation. Vice President of Finance reviews the bank reconciliation, initials, and dates.

MATERIAL WEAKNESS

FINDING 08-2

Condition:

As part of our audit we drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with U.S. generally accepted accounting principles in the preparation of those financial statements and related disclosures because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of the audit function, new professional standards require that we now communicate this to you because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Criteria:

Internal controls should be in place to provide reasonable assurance that all transactions are properly recorded and that financial statements are complete, including related disclosures.

Effect:

The overall financial statements, including disclosures, would not be completely in accordance with U.S. generally accepted accounting principles without our assistance.

Recommendations:

We recommend that the Vice President of Finance and any related accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply with U.S. generally accepted accounting principles or to request assistance from another accounting firm when circumstances require.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN
Year Ended June 30, 2008

Auditee's Response and Corrective Action Plan:

To obtain necessary and applicable knowledge, AIHS staff will attend seminars, read and educate in GAAP, particularly FAS 116 and 117. AIHS staff will also have access to relevant publications in order to keep abreast with the changing requirements with Non-Profit GAAP.



INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Capacity Committee

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

We have audited the consolidated financial statements of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 12, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

In planning and performing our audit, we considered the Organization'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. We also considered 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.

As part of obtaining reasonable assurance about whether the Organization'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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the OMB Circular A-133 "Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the allocation of expenses between programs and supporting services. The allocation of expenses was based upon time estimates for employees, a space plan for the building, and other factors concerning the relationship between cost centers benefited and expenditures. We evaluated these estimates and assumptions in determining that they are reasonable in relation to the financial statements taken as a whole.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no material misstatements as a result of audit procedures.

Management has determined that the effects of the following uncorrected misstatements detected as a result of our audit procedures are immaterial to the financial statements as a whole.

- A \$4,806 understatement of cash, primarily due to unrecorded nutrition bank accounts
- A \$3,990 understatement of accrued interest on long-term debt
- A \$25,850 understatement of property and equipment for recording six months of depreciation on the building in year of its acquisition rather than 1-½ months of depreciation

4. *Disagreements with Management*

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 12, 2008.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the Capacity Committee, the Board of Directors, and management of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

December 12, 2008