



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 7, 2008

Board of Directors
Indianapolis Private Industry Council
151 N. Delaware St., Ste. 1600
Indianapolis, IN 46204

We have reviewed the audit report prepared by BKD, LLP, 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 Indianapolis Private Industry Council, 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 three comments.

STATE BOARD OF ACCOUNTS

Indianapolis Private Industry Council

Accountants' Report and Financial Statements

June 30, 2007 and 2006

Indianapolis Private Industry Council

June 30, 2007 and 2006

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Independent Accountants' Report

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Indianapolis Private Industry Council (IPIC) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of IPIC'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 financial position of Indianapolis Private Industry Council as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2008, on our consideration of IPIC's internal control over financial reporting and 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 should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

January 17, 2008

Indianapolis Private Industry Council
Statements of Financial Position
June 30, 2007 and 2006

Assets

	2007	2006
Cash and cash equivalents (Note 1)	\$ 3,699,106	\$ 906,966
Certificates of deposit	449,232	507,181
Accounts receivable	12,698	9,788
Federal grant reimbursements receivable	1,381,853	1,107,237
Other grant reimbursements receivable	-	33,900
Advances to subrecipients	-	6,381
Prepaid expenses	33,486	22,569
Contributions receivable (Note 2)	60,000	150,000
Property and equipment (Note 4)	94,650	100,098
	\$ 5,731,025	\$ 2,844,120

Liabilities

Accounts payable and accrued expenses	\$ 1,701,850	\$ 1,322,988
Deferred federal support	101	20,596
Total liabilities	1,701,951	1,343,584

Net Assets

Unrestricted	502,691	473,331
Temporarily restricted (Note 6)	3,526,383	1,027,205
Total net assets	4,029,074	1,500,536
Total liabilities and net assets	\$ 5,731,025	\$ 2,844,120

Indianapolis Private Industry Council

Statements of Activities Years Ended June 30, 2007 and 2006

	2007		2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues, Gains and Other Support				
Contribution income	\$ 1,029,589	\$ 3,208,652	\$ 4,238,241	\$ 83,783
Government grants - federal (Note 3)	10,221,107	-	10,221,107	8,360,392
Government grants - other (Note 3)	-	-	-	593,391
Interest	116,665	-	116,665	63,701
Net assets released from restrictions (Note 6)	709,474	(709,474)	-	(1,795,066)
Total revenues, gains and other support	<u>12,076,835</u>	<u>2,499,178</u>	<u>14,576,013</u>	<u>10,896,333</u>
Expenses				
Workforce development services	8,720,847	-	8,720,847	7,870,630
Management and general	3,307,866	-	3,307,866	3,126,931
Fund raising	18,762	-	18,762	15,326
Total expenses	<u>12,047,475</u>	<u>-</u>	<u>12,047,475</u>	<u>11,012,887</u>
Change in Net Assets	29,360	2,499,178	2,528,538	(1,776,690)
Net Assets, Beginning of Year	473,331	1,027,205	1,500,536	2,803,895
Net Assets, End of Year	<u>\$ 502,691</u>	<u>\$ 3,526,383</u>	<u>\$ 4,029,074</u>	<u>\$ 1,027,205</u>
			\$ 473,331	\$ 1,027,205
			\$ 589,885	\$ 2,803,895
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Indianapolis Private Industry Council

Statements of Cash Flows Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ 2,528,538	\$ (1,893,244)
Items not requiring cash:		
Depreciation	67,214	113,808
Changes in		
Accounts receivable	(2,910)	(23,931)
Grant receivables	(240,716)	(19,026)
Advances to subrecipients	6,381	61,000
Prepaid expenses	(10,917)	(6,691)
Contributions receivable	90,000	90,000
Accounts payable and accrued expenses	378,862	274,500
Deferred support	(20,495)	(10,980)
Net cash provided by (used in) operating activities	<u>2,795,957</u>	<u>(1,414,564)</u>
Investing Activities		
Purchase of equipment	(61,766)	(21,989)
Purchase of certificates of deposit	(519,823)	(596,055)
Maturities of certificates of deposit	<u>577,772</u>	<u>675,240</u>
Net cash provided by (used in) investing activities	<u>(3,817)</u>	<u>57,196</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,792,140	(1,357,368)
Cash and Cash Equivalents, Beginning of Year	<u>906,966</u>	<u>2,264,334</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,699,106</u>	<u>\$ 906,966</u>

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

The Indianapolis Private Industry Council (IPIC), the Workforce Investment Board (WIB) for Marion County, was incorporated as a not-for-profit organization on June 23, 1983, under the laws of the State of Indiana.

The WIB within each Workforce Service Area (WSA) is responsible for providing policy guidance for, and exercising oversight with respect to, activities under its job training plan in partnership with local units of government. The WIB is also responsible for selecting the WSA's service providers for allocated Workforce Investment Act (WIA) funds from the Indiana Department of Workforce Development. IPIC is designated as the fiscal agent for the Marion County WSA by the local elected officials and therefore receives funds directly from the State of Indiana's Department of Workforce Development under the federal WIA. These funds represent IPIC's core funding source and are directly allocated to IPIC. Although IPIC's primary funding source is the Workforce Investment Act, IPIC actively competes for other federal, state and private grants.

In November 2005, the Indiana Department of Workforce Development received approval for a new two-year plan from the U.S. Department of Labor that changed the governance structure of local workforce areas. The Marion County Workforce Investment Board, however, will remain an independent workforce investment area due to its automatic designation rights under the Workforce Investment Act.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by IPIC has been limited by donors to a specific time period or purpose.

Cash and Cash Equivalents

For purposes of reporting cash flows, IPIC considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2007 and 2006, cash equivalents consisted primarily of short-term certificates of deposits. At June 30, 2007, IPIC's deposit accounts exceeded federally insured limits by approximately \$4,161,000.

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Income Taxes

IPIC is exempt from federal income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code. IPIC is not considered to be a private foundation.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. This practice may give rise to large fluctuations in changes in net assets from year to year.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. IPIC provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furnishings and equipment	3-10
Leasehold improvements	3-10

In accordance with accounting principles generally accepted in the United States of America, IPIC capitalizes all equipment purchases acquired under government grants if it is probable that IPIC will ultimately receive title to the assets. Title to the equipment acquired under government grants is held by the granting agency while used in the program for which it was purchased or other future authorized programs. The disposition of this equipment, as well as the right to a proportionate share of any proceeds therefrom, is subject to funding source regulations.

Support and Revenue

IPIC reports gifts 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. If a restriction is fulfilled in the same time period in which the contribution is received, IPIC reports the support as unrestricted.

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Government Grants

Support funded by grants is recognized as IPIC performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Expense Allocation

IPIC reports expenditures that can be specifically identified with a particular program objective to the appropriate funding source and cost category. IPIC's indirect and other pooled expenses are allocated monthly to the various programs or grants based on a cost allocation plan accepted by its oversight agency.

Note 2: Contributions Receivable

At June 30, 2007 and 2006, IPIC had \$60,000 and \$150,000 in temporarily restricted contributions receivable, respectively. This contribution receivable is restricted for purposes of Biotech Bound.

Note 3: Grant Commitments

IPIC receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of IPIC are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2007 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2007:

Grant	Term	Grant Amount	Earned as of June 30, 2007	Funding Available
WIA Administration	07/01/06-06/30/08	\$ 842,277	\$ 321,446	\$ 520,831
WIA Adult	07/01/06-06/30/08	4,209,806	2,413,130	1,796,676
WIA Youth	07/01/06-06/30/08	2,861,289	2,481,634	379,655
WIA Dislocated Worker	07/01/06-06/30/08	509,409	25,747	483,662
Chronically Homeless	09/30/06-09/27/07	479,961	353,555	126,406
High Skills Grant	06/15/05-12/14/08	1,000,000	590,019	409,981
Technology Opportunities Grant	10/01/03-09/30/08	675,000	253,730	421,270
		<u>\$ 10,577,742</u>	<u>\$ 6,439,261</u>	<u>\$ 4,138,481</u>

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Note 4: Property and Equipment

IPIC's property and equipment are as follows:

	<u>2007</u>	<u>2006</u>
Furnishings and equipment	\$ 462,628	\$ 400,863
Accumulated depreciation and amortization	<u>(367,978)</u>	<u>(300,765)</u>
	<u>\$ 94,650</u>	<u>\$ 100,098</u>

Note 5: Leases

IPIC leases office space and various items of equipment under operating lease arrangements. These leases expire at various dates through June 30, 2013. Rental expense for these leases included in the statements of activities for the years ended June 30, 2007 and 2006 was \$307,065 and \$292,497.

Minimum annual rental payments required under the operating leases which have remaining terms in excess of one year as of June 30, 2007 are as follows:

2008	\$ 160,662
2009	160,662
2010	160,662
2011	150,058
2012	146,700
Thereafter	<u>24,450</u>
	<u>\$ 803,194</u>

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Note 6: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2007</u>	<u>2006</u>
Workforce Innovations	\$ 260,722	\$ 343,586
Youth Employment Services	2,754,240	392,527
Casey Family Program	-	212
Central Indiana Community Network	15,781	18,376
Biotech Bound	41,116	272,504
Making Connections	29,701	-
Training in Medical Professions	424,823	-
	<u>\$ 3,526,383</u>	<u>\$ 1,027,205</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2007</u>	<u>2006</u>
Purpose restrictions accomplished		
Youth Employment Services	\$ 392,527	\$ 1,522,334
Biotech Bound	205,799	155,728
Casey Family Program	212	13,974
Central Indiana Community Network	28,072	4,275
Workforce Innovations	82,864	98,755
	<u>\$ 709,474</u>	<u>\$ 1,795,066</u>
Total net assets released from restrictions		

Note 7: Employee Benefits

IPIC maintains a 401(k) plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. IPIC's contribution consists of a contribution of 7% of eligible compensation and amounted to \$84,977 and \$81,687 for 2007 and 2006.

Indianapolis Private Industry Council

Notes to Financial Statements

June 30, 2007 and 2006

Note 8: Related Party Transactions

One voting WIB member of IPIC is also an employee of MSD Wayne Township, a contractor of services for IPIC. Payments to this contractor were \$164,580 in 2007 and \$197,600 in 2006. At June 30, 2007 and 2006, IPIC owed MSD Wayne Township \$0 and \$14,014, respectively.

During 2006, a non-voting Youth Council member of IPIC is also an employee of John H. Boner Community Center, a contractor of services for IPIC. Payments to this contractor were \$542,572 in 2006. Amounts owed to John H. Boner at June 30, 2006 were \$22,031.

One additional voting WIB member of IPIC is also employed by Major Impressions, LLC, a contractor of services for IPIC. Payments to this member were \$39,588 in 2007 and \$20,235 in 2006.

Two additional non-voting Youth Council members are also employed by Indianapolis Public Schools, a contractor of services for IPIC. Payments to these contractors were \$192,291 in 2007 and \$225,136 in 2006.

One additional voting WIB member of IPIC is also employed by Ivy Tech Community College, a contractor of services for IPIC. Payments to this contractor were \$77,587 in 2007 and \$0 in 2006.

Note 9: Concentrations

Revenue

For the years ended June 30, 2007 and 2006, revenue from federal funding sources represented approximately 70% and 92%, respectively, of IPIC's total revenue.

Contributions

Approximately 88% and 23% of all contributions were received from one donor in 2007 and 2006, respectively.

Note 10: Commitments and Contingencies

IPIC is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management and legal counsel that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of IPIC.

Indianapolis Private Industry Council
Schedule of Governmental Awards
Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Grant Number	Total Grant Amount	Grant Reimbursements Net Receivable at Beginning of Year
Department of Labor				
Direct programs				
Disability Employment	17.261	E9420092	\$ 1,281,529	\$ 114,269
Chronically Homeless Grant	17.261	E9430109	1,671,228	(18,402)
High Skills	17.261	HG-14754-05-60	1,000,000	33,518
Pass-through programs				
State of Indiana, Department of Workforce Development				
WIA Administration	17.258	WIA539/WIB639	1,540,381	44,598
WIA Youth	17.259	WIA539/WIB639	5,366,258	451,289
WIA Adult	17.258	WIA539/WIB639	6,413,944	298,846
WIA Incentive	17.258	WIA539/WIB639	60,285	33,273
WIA Air Project Federal & State	17.260	RRS339	775,000	(1,508)
WIA Regional Skills Alliance	17.260	RSA939	207,427	(56)
WIA Dislocated Worker	17.260	WIA539/WIB639	2,083,242	109,481
WIA Rapid Response	17.258	DISC539	210,000	(630)
Integrated Services	17.207	IS639	1,965	159
Department of Housing and Urban Development				
Pass-through program				
City of Indianapolis				
Community Development Block Grant	14.218		110,000	-
Department of Commerce				
Direct program				
Technology Opportunities Program	11.552	18-60-I03021	675,000	21,804
State of Indiana, Department of Workforce Development				
Reed Act	N/A	RA339	1,331,641	13,845
Printers Grant	N/A	IWT339-339	-	20,055
				\$ 1,120,541

Note: Of the cumulative WIA Administration dollars expended (\$3,270,339) under grant number WIA539 (CFDA #17.258), 43% is attributable to WIA Adult (CFDA #17.258), 9% is attributable to WIA Youth (CFDA #17.259), and 48% is attributable to WIA Dislocated Worker (CFDA #17.260).

Of the cumulative WIA Administration dollars expended (\$4,923,298) under grant number WIB639 (CFDA #17.258), 49% is attributable to WIA Adult (CFDA #17.258), 50% is attributable to WIA Youth (CFDA #17.259), and 1% is attributable to WIA Dislocated Worker (CFDA #17.260).

Receipts	Disbursements/ Expenditures	Grant Reimbursements Net Receivable at End of Year
\$ 674,141	\$ 586,744	\$ 26,872
(18,402)	-	-
387,800	490,401	136,119
778,381	787,280	53,497
3,120,290	2,760,478	91,477
3,325,944	3,830,792	803,694
64,225	35,021	4,069
(1,508)	-	-
(56)	-	-
1,500,833	1,602,367	211,015
6,688	7,217	(101)
402	243	-
-	21,673	21,673
87,258	98,891	33,437
13,845	-	-
20,055	-	-
<u>\$ 9,959,896</u>	<u>\$ 10,221,107</u>	<u>\$ 1,381,752</u>

Indianapolis Private Industry Council
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Labor		
Direct programs		
Disability Employment/Chronically Homeless	17.261	\$ 1,077,145
Pass-through programs		
State of Indiana, Department of Workforce Development		
Integrated Services	17.207	243
Workforce Investment Act (WIA)	*	9,023,155
Department of Housing and Urban Development		
Pass-through programs		
City of Indianapolis		
Community Development Block Grant	14.218	21,673
Department of Commerce		
Direct program		
Technology Opportunity Program	11.552	<u>98,891</u>
Total Expenditures of Federal Awards		<u>\$ 10,221,107</u>

* - WIA State and Local Government Program Cluster, which includes CFDA numbers 17.258, 17.259 and 17.260.

Indianapolis Private Industry Council
Notes to Schedule of Expenditures of Federal Awards
June 30, 2007

Note 1: Basis of Presentation

This schedule includes the federal awards activity of Indianapolis Private Industry Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Subrecipients

Of the federal expenditures presented in this schedule, IPIC provided federal awards to subrecipients as follows:

Program	CFDA Number	Amount Provided
Workforce Investment Act	17.258, 17.259,	\$ 6,000,015
Disability Employment Services	17.261	109,637
Chronically Homeless Grant	17.261	199,973
Community Development Block Grant	14.218	21,673
		<u>\$ 6,331,298</u>



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

We have audited the financial statements of Indianapolis Private Industry Council (IPIC) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 17, 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 IPIC'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 IPIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IPIC's internal control over financial reporting.

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 a combination of control deficiencies, that adversely affects IPIC'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 IPIC's financial statements that is more than inconsequential will not be prevented or detected by IPIC's internal control.

A material weakness is a significant deficiency, or a 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 IPIC's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IPIC'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*.

We noted certain matters that we reported to IPIC's management in a separate letter dated January 17, 2008.

This report is intended solely for the information and use of the governing body, management and others within IPIC and 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.

BKD, LLP

Indianapolis, Indiana
January 17, 2008



Independent Accountants' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

Compliance

We have audited the compliance of Indianapolis Private Industry Council (IPIC) 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, 2007. IPIC'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 IPIC's management. Our responsibility is to express an opinion on the compliance of Indianapolis Private Industry Council 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 IPIC'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 IPIC's compliance with those requirements.

In our opinion, Indianapolis Private Industry Council 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, 2007.

Internal Control Over Compliance

The management of Indianapolis Private Industry Council 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 IPIC's internal control over compliance with the 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 IPIC'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 the 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.

This report is intended solely for the information and use of the governing body, management and 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.

BKD, LLP

Indianapolis, Indiana
January 17, 2008

Indianapolis Private Industry Council
Schedule of Findings and Questioned Costs
June 30, 2007

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. IPIC's major programs were:

Cluster/Program	CFDA Number
Workforce Investment Act	17.258, 17.259, 17.260
Disability Employment/Chronically Homeless	17.261

Indianapolis Private Industry Council
Schedule of Findings and Questioned Costs (Continued)
June 30, 2007

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$306,633.
9. IPIC qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Indianapolis Private Industry Council
Schedule of Findings and Questioned Costs (Continued)
June 30, 2007

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
None		

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
None		

Indianapolis Private Industry Council
Summary Schedule of Prior Audit Findings
June 30, 2007

Reference Number	Finding	Status
None		



Board of Directors and Management
Indianapolis Private Industry Council
Indianapolis, Indiana

As part of our audit of the financial statements of Indianapolis Private Industry Council (IPIC) as of and for the year ended June 30, 2007, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing GAAS procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

Significant Accounting Policies

IPIC's significant accounting policies are described in Note 1 of the audited financial statements. During this year, the accounting principles used were consistent with those used in prior years.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments.

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed, including those which management recorded, include:

- To record accrued payroll

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Indianapolis Private Industry Council as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered IPIC'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 IPIC's internal control. Accordingly, we do not express an opinion on the effectiveness of IPIC's internal control. As such, our consideration of internal controls would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 of IPIC's financial statements on a timely basis. A control deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective is not always met. A control deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects IPIC'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 IPIC's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of IPIC's financial statements will not be prevented or detected by IPIC's internal controls.

We observed the following matters that we consider to be control deficiencies, significant deficiencies or material weaknesses. It is important to note that the matters reported below are not necessarily indicative of changes to IPIC's internal control environment, but may rather be the result of our new reporting requirements under Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. Previously, we made observations as a result of our 2006 audit engagement in a letter dated November 2, 2006.

Material Weaknesses

No matters are reportable.

Significant Deficiencies

No matters are reportable.

Control Deficiencies

Payroll

During our audit, we noted that the Accounting and Human Resources Services Team Leader has the ability to generate a payroll payment, add an employee to the payroll master file, issue a payroll check and has the ability to record journal entries in the general ledger. This presents the risk that the Accounting and Human Resources Services Team Leader could add a fictitious employee to the payroll register or alter a signed payroll check. In an effort to mitigate this risk, IPIC has implemented the following compensating controls, including the requirement that all non-standard, non-recurring journal entries be reviewed by a second individual. Furthermore, the Chief Financial Officer reviews the payroll register on a monthly basis and the Grant/Contract Services Accountant receives the payroll packet directly from the payroll processor and reviews the check registers for unusual items.

Cash Disbursements

During our audit, we noted that the Accounting Services Specialist has the ability to issue a check, record journal entries and has access to signed checks, as well as maintains the responsibility to reconcile the accounts payable subsidiary ledger to the general ledger. This presents the risk that the Accounting Services Specialist could alter a signed check and conceal the defalcation by adjust the general ledger. In an effort to mitigate this risk, IPIC has implemented the following compensating controls, including the requirement that all non-standard, non-recurring journal entries be reviewed by a second individual. Furthermore, the Accounting Services Specialist is not an authorized check signer. Finally, the Grant/Contract Services Accountant reconciles the bank statement and there is a detailed review of the monthly financial statements performed by the Chief Financial Officer.

Financial Reporting

During our audit, we proposed and management recorded one adjustment related to accrued payroll, which was the result of our auditing procedures.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or other control deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Intermediate Sanctions

Intermediate sanctions are imposed on an "excess benefit transaction" between the exempt organization and a "disqualified person". An excess benefit transaction is any transaction with a disqualified person where the value of the economic benefit provided by the exempt entity exceeds the value of the consideration received for providing such benefit. An excess benefit transaction could include transactions involving either the transfer of property or services. A disqualified person is one who is in a position to exercise substantial influence over the affairs of the entity. The regulations identify certain persons (such as the Executive Director or Business Manager) who are automatically considered disqualified. For most others, the determination is made on a case-by-case basis, looking at all the facts and circumstances. Independent contractors may or may not be considered disqualified persons depending on their roles in the organization. For example, if the independent contractor has managerial authority or serves as a key advisor to a person with managerial authority, that contractor may be a disqualified person.

There are three taxes which may be imposed. The first is a 25% tax on the amount of the excess benefit. The second is a 200% tax on the amount of the excess benefit if the transaction is not corrected within a prescribed amount of time. Both of these taxes are imposed on the recipients of the excess benefit. The third tax, equal to the lesser of 10% of the excess benefit or \$10,000, is imposed upon the entity's managers who knowingly participate or approve the transaction. The intermediate sanctions may be imposed in lieu of or in addition to other sanctions, including possible revocation of exempt status. In circumstances where certain requirements are satisfied, it may be possible to establish a rebuttable presumption of reasonableness as indicated in the regulations. An example of a rebuttable presumption checklist can be found at <http://www.irs.gov/pub/irs-tege/m4958a2.pdf>.

New Auditing Standards

Risk Assessment Standards (SAS 104-111)

Statements on Auditing Standards (SAS) No. 104-111 relate to the assessment of risk in an audit of financial statements and are commonly referred to as the Risk Assessment Suite (Suite). The Suite establishes standards and provides guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit, and the design and performance of audit procedures whose nature, timing, and extent are responsive to the assessed risks. Additionally, the Suite establishes standards and provides guidance on planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.

Why SAS 104-111?

The Suite represents a significant strengthening of auditing standards designed to improve the quality and effectiveness of audits. The Suite's primary objective is to enhance the auditor's ability to identify and respond to risks of material misstatement present in a specific audit in a particular period. The Suite is complementary to and incorporates and expands upon many of the concepts of SAS 99, the standard on consideration of fraud in a financial statement audit, that was effective four years ago. The Suite applies to financial statement audits for periods beginning on or after December 15, 2006, meaning these standards will impact IPIC's June 30, 2008 audit.

What is a Material Misstatement?

A financial statement misstatement is material if it is probable that the judgment of a reasonable person relying on financial statements would be changed or influenced by an omission or misstatement of accounting information in the statements and related disclosures. Material misstatements are caused by error or fraud. An audit is designed to obtain reasonable assurance about whether the financial statements are free of material misstatement. Reasonable assurance is a high, but not absolute, level of assurance.

What is the Auditor's Principal Responsibility?

The Suite requires the auditor to plan and perform the audit to obtain such reasonable assurance about whether the financial statements being audited are free of material misstatement. In other words, the auditor must plan and perform the audit to determine with a reasonable rather than absolute degree of certainty whether error or fraud causes the financial statements to be materially misstated. Thus, the auditor is concerned with errors, fraudulent financial reporting and misappropriation of assets that individually or when aggregated together result in material misstatement. Note that management, and not the auditor, is responsible for designing, implementing and maintaining programs and internal control to prevent and detect material misstatement caused by error or fraud.

Does the Suite Require Auditors to Do More?

Yes, the Suite requires auditors to do more to satisfy its primary objective. Substantially all existing requirements are continued with significant enhancements or modifications. Also, significant new requirements are added. Significant requirements of the Suite include:

- Obtaining a more in-depth and expanded understanding of the particular client's business and business environment, significant risks it faces and how it seeks to mitigate those risks. The understanding encompasses the nature of your entity and operations, external factors affecting you, your business risks and how you limit your exposure to those risks, how you measure and manage financial performance and your internal control over financial reporting. New documentation of your internal control and the other matters will be needed in the implementation period with updating or replacement in each subsequent period
- Expanding the existing SAS 99 discussion (brainstorming session) among engagement audit personnel to encompass how and where an entity's financial statements might be susceptible to material misstatement from error or fraud, how such misstatements could occur and go undetected and how auditors might respond
- Enhancing the existing SAS 99 interviews, analytical procedures and risk factor considerations to address information relevant to misstatements caused by error or fraud
- Performing a more rigorous assessment of the risks of material misstatement of the financial statements for the particular period based on the understanding and information obtained. Risks of material misstatement must be assessed and documented at both the overall financial statements level and for each relevant assertion for each significant financial statement amount and disclosure
- Determining if relevant internal controls have been implemented and are operating as designed (assessment of design effectiveness), including walkthroughs of each significant type of transaction each period. Assessment of operating effectiveness of such controls is encouraged but not required

- Developing and performing further audit procedures (tests of controls, analytical procedures or tests of details or any combination thereof) addressing each identified risk of material misstatement. Linkage of each identified risk of material misstatement with the responsive further audit procedures must be documented
- Performing further audit procedures that include tests of controls and/or tests of details in addition to or in lieu of analytical procedures for the assessed risks of material misstatement for the most significant financial statement amounts and disclosures
- Evaluating materiality of identified misstatements individually and in aggregate both quantitatively and qualitatively at both financial statement totals and significant subtotals
- Requesting management to further explore and clarify the amount and causes of likely material misstatements the auditor identifies. Likely misstatements include accounting estimates and those determined by testing fewer than all items in a particular population
- Obtaining an understanding of the business purpose and substance of significant unusual transactions
- Evaluating if required disclosures are made and are complete and understandable
- Concluding at the end of the audit that all identified risks of material misstatement have been adequately assessed and responded to

How are Audit Fees Impacted?

Audit fees are based primarily on time and effort as well as the level of knowledge, experience and expertise of the personnel involved. The Suite increases the amount of time and effort necessary to perform every audit as well as the level of involvement of the engagement partner or manager and other more senior personnel.

As a result, audit fees will increase. A number of factors impact the level of increase, including:

- Entity size, structure and complexity
- Experience, expertise, involvement and responsiveness of management and accounting personnel
- Extent and accuracy of documentation of internal control and other risk assessment information already existing or prepared by entity personnel
- Effectiveness of internal control and other procedures used to mitigate significant risks
- Emphasis placed on and processes implemented by management to prevent or detect and correct misstatements timely and thoroughly
- Accuracy and completeness of accounting records and year-end closing and statement preparation processes
- Nature and quantity of identified risks of material misstatement
- Nature and quantity of misstatements identified and management's responses thereto
- Effectiveness and extent of oversight of the financial reporting process by the entity's audit committee or governing body

Your attention and responsiveness to these factors play a significant role in determining the time and effort required to address the Suite initially and on an ongoing basis as well as the resulting fee increase.

How Does the Suite Benefit My Entity and Me?

The enhanced effort required by SAS 104-111 and resulting fee increase naturally cause each audit client to ask what increases in value it should expect to receive. Increases in value to be received may include:

- Enhanced information on the risks to which your entity is exposed and possible deficiencies in and suggestions for improvement to the controls and other methods used to mitigate those risks
- Reduced opportunities to circumvent prescribed controls and procedures by employees or others
- Reinforced emphasis on doing the right thing continually
- Increased accountability by management for the financial reporting process and risk identification and containment
- Greater probability the audit will detect material misstatement whether caused by error or fraud if present
- Improved consistent reliability of financial statements and disclosures
- More focus by the auditors on what could make a material difference in financial statements

In Conclusion

We encourage you to discuss the Suite and its impacts on IPIC with BKD. We will discuss these matters with you candidly to help avoid unnecessary surprises and misconceptions and explore ways we can work together to make implementation of the Suite efficient and cost effective.

* * * * *

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

BKD, LLP

January 17, 2008

**Indianapolis Private Industry Council
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Adjusted for Misstatements	% Change
Total Assets	5,730,768		5,730,768	
Total Liabilities	(1,701,951)		(1,701,951)	
Net Assets	(4,028,817)		(4,028,817)	
Revenues & Income	(14,576,004)		(14,576,004)	
Costs & Expenses	12,047,723	(5,065)	12,042,658	-0.04%
Change in Net Assets	(2,528,281)	(5,065)	(2,533,346)	0.20%
Change in Net Assets - Three Year Average	1,739,129	(5,065)	1,734,064	-0.29%

Client: Indianapolis Private Industry Council SCHEDULE OF UNCORRECTED MISSTATEMENTS

Period Ending: June 30, 2007

Description	Assets		Liabilities		(X) Non Tax	Revenues & Income		Costs & Expenses		Net Assets (Beg. of year)		Net Effect on Following Year change in Net Assets	
	DR	(CR)	DR	(CR)		DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Turnaround Effect of Prior Year Passed Adjustments					X			(5,065)			5,065		
To adjust the accumulated depreciation to actual based on the change in the useful lives of property and equipment													
There were no current year passed adjustments.													
Taxable passed adjustments													
Times (1 - estimated tax rate of 00%)						100%		100%			100%		
Taxable passed adjustments net of tax impact								(5,065)			5,065		
Nontaxable passed adjustments								(5,065)			5,065		
Total passed adjustments, net of tax impact (if any)													(5,065)
												Impact on Change in Net Assets	(5,065)
												Impact on Net Assets	