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May 27, 2009

Board of Directors  
Preservation Partners, Inc.  
358 E. Clinton St.  
Frankfort, IN 46041

We have reviewed the audit report prepared by Daniel Z. Blomeke, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Preservation Partners, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 11 contains one current audit finding.

STATE BOARD OF ACCOUNTS

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

Preservation Partners, Inc.

December 31, 2007 and 2006

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**DANIEL Z. BLOMEKE**

CERTIFIED PUBLIC ACCOUNTANT

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Board of Directors  
Preservation Partners, Inc.  
Frankfort, Indiana

I have audited the accompanying balance sheets of Preservation Partners, Inc. as of December 31, 2007 and 2006, and the related statements of income, retained deficit and cash flows for the years then ended. These financial statements are the responsibility of the management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preservation Partners, Inc. as of December 31, 2007 and 2006, and the results of its operations, changes in retained deficit, and cash flows for the years then ended in conformity with generally accepted accounting principles.

May 14, 2008



Preservation Partners, Inc.  
BALANCE SHEETS  
December 31, 2007 and 2006

ASSETS		2007	2006
<b>CURRENT ASSETS</b>			
Cash		\$ 951	\$ 1,950
Accounts receivable (Note B)		49,755	54,324
Prepaid expenses		8,458	9,356
Advance to stockholder		12,829	25,476
		71,993	91,106
 <b>PROPERTY, at cost (Note B &amp; C)</b>			
Equipment		33,247	33,247
Less accumulated depreciation		(30,552)	(28,113)
		2,695	5,134
		\$ 74,688	\$ 96,240
 <b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		12,833	5,691
Taxes payable		1,351	1,512
Deferred income		18,022	8,820
Accrued expenses		32,220	36,327
Accrued compensated absences		21,159	21,466
Note payable line of credit (Note B)		25,870	9,500
Current portion of LT debt - stockholder (Note C)		457	3,420
		111,912	86,736
 <b>LONG TERM DEBT, less current portion (Note C)</b>			
Note payable stockholder		35,415	46,580
		35,415	46,580
 <b>STOCKHOLDER'S EQUITY</b>			
Common stock 3,000 shares authorized 100 issued and outstanding		500	500
Retained deficit		(73,139)	(37,576)
		(72,639)	(37,076)
		\$ 74,688	\$ 96,240

The accompanying notes are an integral part of these statements.

Preservation Partner, Inc.  
 STATEMENTS OF NET INCOME AND RETAINED DEFICIT  
 For Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE		
Services	\$ 550,598	\$ 595,082
OPERATING EXPENSE		
Wages	376,799	390,499
Payroll taxes	30,643	31,751
Health insurance	13,442	16,893
Workers' compensation	2,343	2,061
Supplies	7,156	7,398
Subcontractors	876	831
Travel	46,985	57,674
Telephone	10,401	10,944
Utilities	3,865	4,088
Rent	43,213	43,538
Postage	771	773
Repairs	1,182	1,070
Insurance	6,066	6,213
Professional	13,506	11,313
Advertising	405	-
Conferences	1,648	1,251
Interest	8,619	6,837
Contributions	723	189
Depreciation	2,440	2,593
Bad debts	6,055	6,279
Discrepancies	40	-
Miscellaneous	8,983	9,974
	<u>586,161</u>	<u>612,169</u>
NET INCOME (LOSS)	(35,563)	(17,087)
RETAINED DEFICIT		
Beginning of year	(37,576)	(20,489)
Dividends	-	-
End of year	<u>\$ (73,139)</u>	<u>\$ (37,576)</u>

The accompanying notes are an integral part of these statements.

Preservation Partners, Inc.  
**STATEMENTS OF CASH FLOW**  
For Years Ended December 31, 2007 and 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 558,274	\$ 608,122
Cash paid to suppliers and employees	(565,543)	(605,853)
Interest paid	(8,619)	(6,837)
Net cash provided (used) by operating activities	(15,888)	(4,568)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for the purchase of property	-	(383)
Advanced (to) from stockholder	12,647	(23,793)
Net cash provided (used) in investing activities	12,647	(24,176)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing (repayment) on line of credit	16,370	(21,000)
Principal payments on long-term debt	-	(1,023)
Loan from stockholder	-	50,000
Repay loan from stockholder	(14,128)	-
Net cash provided (used) by financing activities	2,242	27,977
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(999)	(767)
Cash and cash equivalents at beginning of year	1,950	2,717
Cash and cash equivalents at end of year	\$ 951	\$ 1,950
<b>RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss)	(35,563)	(17,087)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,439	2,593
(Increase) decrease in accounts receivable	4,569	4,220
(Increase) decrease in prepaid expenses	898	(1,819)
Increase (decrease) in accounts payable	6,981	(3,159)
Increase (decrease) in accrued liabilities	(4,107)	887
Increase (decrease) in accrued compensated absences	(307)	977
Increase (decrease) in deferred income	9,202	8,820
Net cash provided (used) by operating activities	\$ (15,888)	\$ (4,568)

The accompanying notes are an integral part of these statements.

Preservation Partners, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Business

Preservation Partners, Inc. (the "Company") is engaged in providing professional counseling services in the Clinton, Howard and Tipton County areas. During 2007 82% of the companies revenue came from the Indiana Family and Social Services Department.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

3. Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

4. Depreciation

The Company's equipment is depreciated using the five-year life, tax double declining balance method.

5. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Income Taxes

Income taxes on cash net earnings are payable personally by the stockholder pursuant to an election under Subchapter S of the Internal Revenue Service Code not to have the Company taxed as a corporation. Accordingly, no provision has been made for Federal or Indiana income taxes.

NOTE B – BANK LOAN

The company signed a multi-year line of credit agreement on August 15, 2000. Operating capital is the purpose of the \$60,000 agreement. It is secured by accounts receivable, property and guaranteed by the stockholder. Interest is calculated on a daily variable rate currently at 9.5% and is payable monthly. As of December 31, 2007 \$25,870 was borrowed on this note.

Preservation Partners, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2007

NOTE C - LONG-TERM DEBT

	2007	2006
Unsecured loans from the stockholder of up to \$69,000 are in two notes:		
\$15,000, payable at 10.34% annual interest with minimum monthly repayment of \$322.53 was approved by the board of directors on October 1, 2006. Monthly payments beginning December 1, 2006.	-	15,000
\$54,000, payable at a floating rate currently at 7.5% annual interest with monthly repayment of \$260.95 was approved by the board of directors on October 1, 2006. Payments beginning January 25, 2007.	35,872	35,000
	35,872	50,000
LESS CURRENT PORTION	457	3,320
LONG-TERM PORTION	\$ 35,415	\$ 46,680

The following is a summary of the principal maturities of long-term debt:

2008	2009	2010	2011	2012	Thereafter
\$ 457	\$ 491	\$ 530	\$ 571	\$ 616	\$ 33,207

NOTE D - LEASE

The Company signed a lease for office space on October 9, 2002 for 20 years at \$1,900 per month with the lessor's right to renegotiate at any time due to the variance of the interest rate or property taxes. The lease was amended on March 30, 2005 to \$3,000 per month. The lessor is the stockholder of this Company. During 2007 and 2006 rent under this lease amounted to \$36,000 and \$36,000 respectively.

Future office space lease commitments are as follows:

2008	2009	2010	2011	2012	Thereafter
\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 352,500

The Company signed a lease for a new copier on October 26, 2007 covering a five-year period. Payments are \$1,010 payable quarterly plus a charge for excess copies.

Future copier lease commitments are as follows:

2008	2009	2010	2011	2012	Thereafter
\$ 4,038	\$ 4,038	\$ 4,038	\$ 4,038	\$ 3,028	\$ -

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
Frankfort, Indiana

My report on my audits of the basic financial statements of Preservation Partners, Inc. as of and for the years ended December 31, 2007 and 2006 appears on page three. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. My audits of the financial statements were made 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. Accordingly, I conducted such tests of the accounting records and such other auditing procedures, as I considered necessary in the circumstances.

The accompanying schedule of findings and questioned costs, schedule of expenditures of federal, state, and local awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

May 14, 2008



Preservation Partners, Inc  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended December 31, 2007

Section I – SUMMARY OF AUDITOR RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of Preservation Partners, Inc.
2. One material weakness was identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Preservation Partners, Inc. were disclosed during the audit.

Federal Awards

4. No material weaknesses were identified during the audit of the major federal award programs
5. The auditor's report on compliance for Preservation Partners, Inc. expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Preservation Partners, Inc. were reported in Section III of this Schedule.
7. The programs considered as major programs under state grants included: Healthy Families.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Preservation Partners, Inc. was determined not to be a low-risk auditee.

Section II – FINANCIAL STATEMENTS AUDIT

Significant Deficiency and Material Weakness

2007-1

Condition: The Company does not have the expertise to prepare the financial statements and required disclosures in accordance with accounting principles generally accepted in the United States of America.

Criteria: Financial statements should be monitored to comply with generally accepted accounting principles.

Cause: The Company size limits its ability to afford the cost of hiring employees with the necessary expertise.

Effect: Because of the lack of internal staff expertise the Company must rely on outside sources.

Recommendation: The Company should continue to engage outside sources to provide this expertise.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

PRESERVATION PARTNERS, INC.  
 SCHEDULE OF EXPENDITURES  
 2007

SOURCE	CFDA	PROGRAM	PASS THROUGH		2006
			AGENCY	NUMBER	
Federal - passed through					
HHS - Title IVB-1	93.645	Family Center Home Based	IND FAMILY & SOCIAL SERVICE	95-04/05/06-72-0455	\$ 8,684
HHS - Title IVB-2	93.556	Family Center Home Based	IND FAMILY & SOCIAL SERVICE	95-04/05/06-73-0455	3,468
HHS - Title IVB-2	93.558	Healthy Families	IND FAMILY & SOCIAL SERVICE	12-04/05/06-60-0455	417,999
			FEDERAL		417,999
Non-Federal					
Indiana		Healthy Families	IND FAMILY & SOCIAL SERVICE	12-04/05/06-60-0455	34,470
Clinton		Family Center Home Based			239
Howard		Family Center Home Based			17,578
Tipton		Family Center Home Based			3,443
Miami		Home Based Family Support			5,949
Rush		Home Based Family Support			-
Medicaid		Medicaid			78,300
Other		Other			59,462
Medicaid and other		Allowance			(42,499)
			NONFEDERAL		132,298
			TOTAL		\$ 550,297
			IND FAMILY & SOCIAL SERVICE		451,591
			ALL OTHERS		98,706
			TOTAL		\$ 550,297
					471,750
					123,332
			TOTAL		\$ 595,082

# DANIEL Z. BLOMEKE

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## 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*

Board of Directors  
Preservation Partners, Inc.  
Frankfort, Indiana

I have audited the financial statements of Preservation Partners, Inc. as of and for the year ended December 31, 2007 and have issued my report thereon dated May 14, 2008. I conducted my 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 my audit, I considered Preservation Partners, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Preservation Partners, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be 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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Recording income from services provided is not done on a timely basis. Currently the information on the services provided is substantially delayed getting from the staff to the bookkeeper. This is causing billings and the subsequent collections to be delayed, increasing the need to borrow money. It also provides a possibility that revenue will be missed and never be recovered.

I assisted in the drafting of the financial statements and disclosures. Preservation Partners, Inc. does not have the expertise to prepare the financial statements and required disclosures in accordance with accounting principles generally accepted in the United States of America.

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 Company's internal control.

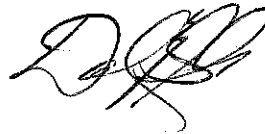
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Preservation Partners, Inc's financial statements are free of material misstatement, I performed tests of its compliance with 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors, management, Indiana Family and Social Services Administration, Indiana State Board of Accounts and the Department of Health and Human Services. However, this report is a matter of public record and its distribution is not limited.

May 14, 2008

A handwritten signature in black ink, appearing to be the initials 'DJP' with a stylized flourish underneath.

**DANIEL Z. BLOMEKE**

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors  
Preservation Partners, Inc.  
Frankfort, Indiana

I have audited the compliance of Preservation Partners, Inc. with the types of compliance requirements that are applicable to each of its major federal programs for the year ended December 31, 2007. Preservation Partners, Inc.'s major federal programs are identified in the summary of the 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 Preservation Partners, Inc.'s management. My responsibility is to express an opinion on Preservation Partners, Inc. compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 program occurred. An audit includes examining, on a test basis, evidence about Preservation Partners, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Preservation Partners, Inc.'s compliance with those requirements.

In my opinion, Preservation Partners, Inc. 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 December 31, 2007.

Internal Control Over Compliance

The management of Preservation Partners, Inc. 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 my audit, I considered Preservation Partners, Inc.'s, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Indiana Family and Social Services Administration and Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

May 14, 2008



## DANIEL Z. BLOMEKE

CERTIFIED PUBLIC ACCOUNTANT

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May 14, 2008

Leslie Douglass  
Preservation Partners, Inc.  
P. O. Box 397  
Frankfort, IN 46041

I have audited the financial statements of Preservation Partners, Inc. for the year ended December 31, 2007, and have issued my report thereon dated May 14, 2008. Professional standards require that I provide you with the following information related to my audit.

### My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated October 5, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of Preservation Partners, Inc. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

### Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance, with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Preservation Partners, Inc. are described in the footnotes to the financial statements. The Company's 2007 financial statements were prepared on the accrual basis of accounting and no new accounting policies were adopted and the application of existing policies was not changed during 2007. I noted no transactions entered into by the Company during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is lack of authoritative guidance or consensus.

### Accounting Estimates

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.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Company's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Company, either individually or in the aggregate, indicate matters that could have a significant effect on the Company's financial reporting process.

### Disagreements with Management

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

### 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 Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors


I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition of my retention.

### Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

This information is intended solely for the use of the management of Preservation Partners, Inc. and is not intended to be and should not be used by anyone other than this specified party.

Very truly yours,

  
Daniel Z Blomeke, CPA