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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

May 27, 2009

Board of Directors
Open Door Community Services, Inc.
926 W. Main St., P.O. Box 528
Muncie, IN 47308

We have reviewed the audit report prepared by Whiting & Company, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Open Door Community Services, 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 findings in the report. Note 9 makes mention of going concern considerations. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

OPEN DOOR COMMUNITY SERVICES, INC.
MUNCIE, INDIANA

FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Open Door Community Services, Inc.
Muncie, Indiana

We have audited the accompanying statement of financial position of Open Door Community Services, Inc. (a non-profit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Organization's 2006 financial statements, and in our report dated June 13, 2007, we expressed an unqualified opinion on those financial statements.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Door Community Services, Inc. as of December 31, 2007, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has suffered recurring significant reductions in revenues and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2008, on our consideration of Open Door Community Services, Inc.'s internal control over financial reporting and on our tests of their 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 audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards 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 financial statements. Also, the accompanying schedules of fees and grants/government agencies and public support and revenue by source are presented for supplemental analysis purposes 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Whitiger & Company LLC

Certified Public Accountants

August 19, 2008

FINANCIAL STATEMENTS

OPEN DOOR COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash		\$ 15,413
Unconditional promises to give - grants	\$ 14,241	15,822
Accounts receivable	73,874	94,139
Inventory - at FIFO cost	27,263	33,257
Prepaid expense	6,860	5,537
	<u>122,238</u>	<u>164,168</u>
Total Current Assets	\$ 122,238	\$ 164,168
PROPERTY AND EQUIPMENT		
Leasehold improvements	\$ 32,104	\$ 32,104
Furniture and equipment	112,105	120,540
	<u>144,209</u>	<u>152,644</u>
Less accumulated depreciation	(126,280)	(126,894)
	<u>17,929</u>	<u>25,750</u>
Total Property and Equipment	\$ 17,929	\$ 25,750
Total Assets	<u>\$ 140,167</u>	<u>\$ 189,918</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank overdraft	\$ 3,677	
Current portion of long-term liabilities	2,008	\$ 1,687
Revolving line of credit	25,409	
Accounts payable	38,173	27,771
Grant advances	20,254	30,966
Accrued wages, salaries, and vacation	46,434	41,688
Other liabilities	6,410	15,447
	<u>142,365</u>	<u>117,559</u>
Total Current Liabilities	\$ 142,365	\$ 117,559
LONG-TERM LIABILITIES		
Debt obligations, net of current portion	\$ 1,547	\$ 3,556
	<u>143,912</u>	<u>121,115</u>
Total Liabilities	\$ 143,912	\$ 121,115
NET ASSETS		
Unrestricted	\$ (48,103)	\$ 16,010
Temporarily restricted	44,358	52,793
	<u>(3,745)</u>	<u>68,803</u>
Total Net Assets	\$ (3,745)	\$ 68,803
	<u>\$ 140,167</u>	<u>\$ 189,918</u>

See accompanying Notes to Financial Statements.

OPEN DOOR COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007 WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2007</u>	<u>2006</u>
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	\$ 3,467		\$ 3,467	\$ 70,062
Allocated by United Way of Delaware County, Inc.		\$ 28,483	28,483	42,562
	<u>\$ 3,467</u>	<u>\$ 28,483</u>	<u>\$ 31,950</u>	<u>\$ 112,624</u>
Revenue				
Fees and grants/government agencies (schedule)	\$ 832,280		\$ 832,280	\$ 818,886
Program service fees	64,654		64,654	34,988
Fund-raising	14,288		14,288	20,425
Membership income	8,447		8,447	9,032
Miscellaneous income	46,793		46,793	45,057
Rental income	6,076		6,076	4,790
Interest income	41		41	10
Loss on disposal of equipment	(100)		(100)	
	<u>\$ 972,479</u>		<u>\$ 972,479</u>	<u>\$ 933,188</u>
Total Public Support and Revenue	<u>\$ 975,946</u>	<u>\$ 28,483</u>	<u>\$ 1,004,429</u>	<u>\$ 1,045,812</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Expiration of time restrictions	\$ 30,924	\$ (30,924)		
Expiration of purpose restrictions	5,994	(5,994)		
	<u>\$ 36,918</u>	<u>\$ (36,918)</u>		
EXPENSES				
Program services	\$ 965,003		\$ 965,003	\$ 933,621
Supporting services and administration	111,974		111,974	121,915
Total Expenses	<u>\$ 1,076,977</u>		<u>\$ 1,076,977</u>	<u>\$ 1,055,536</u>
DECREASE IN NET ASSETS	\$ (64,113)	\$ (8,435)	\$ (72,548)	\$ (9,724)
NET ASSETS, BEGINNING OF YEAR	<u>16,010</u>	<u>52,793</u>	<u>68,803</u>	<u>78,527</u>
NET ASSETS, END OF YEAR	<u>\$ (48,103)</u>	<u>\$ 44,358</u>	<u>\$ (3,745)</u>	<u>\$ 68,803</u>

See accompanying Notes to Financial Statements.

OPEN DOOR COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services				
	Homemaker	Family Development	Transitional Housing	Women, Infants, & Children	Independent Living Program
Salaries	\$ 102,143	\$ 62,785	\$ 111,451	\$ 191,507	\$ 110,495
Payroll taxes	9,920	5,382	10,232	16,248	9,213
Employee benefits	16,531	13,310	19,253	39,901	21,987
 Total Salaries and Related Expenses	 \$ 128,594	 \$ 81,477	 \$ 140,936	 \$ 247,656	 \$ 141,695
Professional fees and contract services	2,446	2,138	3,183	8,319	3,548
Supplies	39	182	4,068	143	478
Program materials and supplies	69	1	17,066	17,489	10,079
Subscriptions					
Postage	5	15	58	319	39
Advertising					
Travel	4,700	6,051		2,154	1,045
Conferences and conventions		35	58	1,471	18
Vehicle maintenance			784		16
Interest					
Insurance - vehicle			1,143		1,317
Insurance - property	31	16	68	1,076	
Insurance - liability	502	34	2,814	5,252	
Buildings and grounds maintenance	73	38	2,324	2,501	16,562
Equipment maintenance	117	102	347	447	114
Organizational dues			280	200	125
Utilities	391	87	7,547	5,710	18,631
Telephone	1,975	2,772	3,621	4,539	3,860
Rents	1,055	1,359	13,875	32,113	
Miscellaneous	64	127	28		
 Total Expenses before Depreciation	 \$ 140,061	 \$ 94,434	 \$ 198,200	 \$ 329,389	 \$ 197,527
Depreciation		271	714	819	3,588
 Total Expenses	 \$ 140,061	 \$ 94,705	 \$ 198,914	 \$ 330,208	 \$ 201,115

See accompanying Notes to Financial Statements.

		Supporting Services			
Total	Administrative	Total		2007	2006
\$ 578,381	\$ 62,663	\$ 641,044	\$ 645,665		
50,995	8,556	59,551	56,168		
110,982	18,469	129,451	103,277		
\$ 740,358	\$ 89,688	\$ 830,046	\$ 805,110		
19,634	2,350	21,984	13,065		
4,910	392	5,302	2,254		
44,704	1,472	46,176	50,316		
	206	206	311		
436	1,121	1,557	1,514		
			1,924		
13,950	213	14,163	13,054		
1,582		1,582	2,817		
800		800	672		
	3,291	3,291	2,119		
2,460		2,460	2,564		
1,191	437	1,628	1,628		
8,602	2,941	11,543	13,141		
21,498	3,099	24,597	30,068		
1,127		1,127	2,154		
605		605	450		
32,366	3,472	35,838	36,002		
16,767		16,767	16,997		
48,402	100	48,502	48,005		
219	863	1,082	2,691		
\$ 959,611	\$ 109,645	\$ 1,069,256	\$ 1,046,856		
5,392	2,329	7,721	8,680		
\$ 965,003	\$ 111,974	\$ 1,076,977	\$ 1,055,536		

OPEN DOOR COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

DECREASE IN CASH AND CASH EQUIVALENTS

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, patients, and other activities	\$ 962,556	\$ 982,348
Cash paid to suppliers and employees	(1,055,184)	(1,027,161)
Cash received from rents	6,076	4,790
Interest received	41	10
Miscellaneous income	46,991	43,116
Interest paid	(3,291)	(2,119)
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Operating Activities	\$ (42,811)	\$ 984
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment		\$ (8,159)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds and payments on line of credit	\$ 25,409	
Principal payments on debt obligations	(1,688)	\$ (406)
Proceeds from long-term borrowings		5,648
	<u> </u>	<u> </u>
Net Cash Provided By Financing Activities	\$ 23,721	\$ 5,242
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (19,090)	\$ (1,933)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>15,413</u>	<u>17,346</u>
CASH (OVERDRAFT) AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ (3,677)</u></u>	<u><u>\$ 15,413</u></u>

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>2007</u>	<u>2006</u>
CHANGE IN NET ASSETS	<u>\$ (72,548)</u>	<u>\$ (9,724)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation expense	\$ 7,721	\$ 8,680
Loss on disposal of equipment	100	
Cash flows provided by (used for) asset changes		
Unconditional promises to give - grants	1,581	
Accounts receivable	20,266	(45,449)
Inventory	5,994	2,039
Prepaid expense	(1,323)	
Cash flows provided by (used for) liability changes		
Accounts payable	10,402	5,471
Grant advances	(10,712)	30,966
Accrued wages, salaries, and vacation	4,747	(551)
Other liabilities	<u>(9,039)</u>	<u>9,552</u>
Total Adjustments	<u>\$ 29,737</u>	<u>\$ 10,708</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (42,811)</u></u>	<u><u>\$ 984</u></u>

OPEN DOOR COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*Organization*

Open Door Community Services, Inc. (Open Door) was organized to provide low-income persons living in East Central Indiana with a variety of services, including medical, home repairs, nutrition and food, child abuse prevention, and housing.

Open Door is a qualified not-for-profit organization under *Section 501(c)(3)* of the *Internal Revenue Code*. As such, they are not liable for federal and state income taxes and no liability for such taxes appears in these statements. Open Door is not considered to be a private foundation within the meaning of *Internal Revenue Code Section 509(a)(3)*.

Basis of Accounting

The accounting records of the Organization are maintained on the accrual basis of accounting.

Property and Equipment

Property and equipment are valued at cost for items purchased and at fair-market value at date of gift, for items donated. Depreciation was computed on the straight-line method over the estimated useful lives of the assets. It is the policy of the Organization to capitalize fixed assets over \$500.

Accounts Receivable

All accounts receivable have been reviewed by management and are deemed to be collectible.

Functional Allocation of Expenses

The costs of providing the various programs and administrative functions of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated to the respective programs and the administrative function to which the expenses relate.

Contributions

In accordance with *Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

OPEN DOOR COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Promises to Give*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expense for 2007 and 2006, totaled \$0 and \$1,924, respectively.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under *SFAS No. 117*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted net assets were held during 2007 or 2006, and accordingly, these financial statements do not reflect any activity related to this class of net assets for 2007 or 2006.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

OPEN DOOR COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. **UNCONDITIONAL PROMISES TO GIVE**

During the years ended December 31, 2007 and 2006, Open Door received an unconditional promise to give, in the form of an operating grant, in the amount of \$14,241.

All unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

3. **BUILDING LEASE**

As a lessee, Open Door has an operating lease for transitional housing shelters. Rental expense for 2007 and 2006 was \$48,502 and \$48,005, respectively. The future minimum lease payments under the non-cancelable operating leases are as follows:

Year Ending December 31,	Amount
2008	\$ 13,500
2009	8,400
	\$ 21,900

4. **LINE OF CREDIT**

The Organization opened a line of credit with First Merchants Bank, N.A. in November 2006, which matures in March 2008. The available credit extended to the Organization was \$75,000 at a variable interest rate of 9.25% at December 31, 2007. At December 31, 2007, the balance on the line of credit was \$25,409. The line of credit is secured by real estate owned by O.D.C.S. Building Corporation and the line of credit is additionally guaranteed by them.

5. **LONG-TERM LIABILITIES**

The Organization is obligated under a note payable with Dell Financial Services which is secured by computer equipment with a cost of \$5,430 and accumulated depreciation of \$2,624. The note requires monthly payments of \$206 over 36 months with an interest rate of approximately 17.5%.

The future minimum annual principal payments required under the agreement at December 31, 2007, are as follows:

Year Ending December 31,	Amount
2008	\$ 2,008
2009	1,547
	\$ 3,555

OPEN DOOR COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

6. RESTRICTION ON ASSETS

Temporarily restricted net assets consist of unconditional promises to give in the form of allocations from the United Way of Delaware County, Inc., equipment purchased for the Women, Infants, and Children program, with title reverting to the state of Indiana upon termination of the program, and donated inventory from the state of Indiana for the Women, Infants, and Children program.

Temporarily restricted net assets are available as follows:

	2007	2006
United Way allocations for the next fiscal year	\$ 14,240	\$ 15,822
Equipment - W.I.C. program	2,853	3,713
Inventory - W.I.C. program	27,263	33,258
	\$ 44,356	\$ 52,793

7. EMPLOYEE BENEFIT PLAN

Open Door has established a 401(k) defined-contribution plan, which covers substantially all full-time employees. Under this plan, Open Door will match employee contributions at either a \$0.50 or \$1.00 match, depending on length of service, up to 2% of their gross wages. In addition, the Organization may make discretionary contributions to the plan. Total contributions to the plan during 2007 and 2006 were \$18,427 and \$12,893, respectively.

8. PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by program service area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

9. GOING CONCERN

Certain conditions exist which indicate the Organization may be unable to continue as a going concern. The Organization has experienced significant cash flow difficulties as a result of decreased funding from grantor agencies and contributors. Open Door continues to sustain losses which has seriously diminished the underlying net assets of the Organization. Management is attempting to place the Organization's individual programs and staff with other not-for-profit agencies within the community. The accompanying financial statements do not include any adjustments that might be necessary should the Organization be unable to continue as a going concern.

OPEN DOOR COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

10. SUBSEQUENT EVENTS

The Indiana State Department of Health has made the determination to not renew the Women, Infants, and Children grant with the Organization at the end of its contract year of September 30, 2008. This program accounted for approximately 34% of the Organization's revenue for 2007.

SUPPLEMENTAL INFORMATION

OPEN DOOR COMMUNITY SERVICES, INC.

SCHEDULE OF FEES AND GRANTS/GOVERNMENT AGENCIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Homemaker	\$ 92,869	\$ 105,124
Family Development	109,583	117,028
Transitional Housing	173,836	157,067
Women, Infants, and Children	340,639	334,070
Independent Living Programs	115,353	105,597
	<u>\$ 832,280</u>	<u>\$ 818,886</u>

SCHEDULE OF PUBLIC SUPPORT AND REVENUE BY SOURCE

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
City of Muncie	\$ 15,060	1.5 %	\$ 18,739	1.8 %
Community Foundation of Muncie and Delaware County			25,000	2.4
Delaware County Division of Family and Children			7,604	0.7
Indiana Department of Child Services	42,302	4.2	109,424	10.5
Indiana Housing and Community Development Authority	48,679	4.8	44,044	4.2
Indiana State Department of Health	340,639	34.0	309,070	29.4
LifeStream Services, Inc.	92,869	9.2	105,124	10.1
Madison County Division of Family and Children	67,281	6.7		
U.S. Department of Housing and Urban Development	<u>225,450</u>	<u>22.5</u>	<u>199,881</u>	<u>19.1</u>
Total Fees and Grants	\$ 832,280	82.9 %	\$ 818,886	78.2 %
Contributions	3,467	0.3	70,062	6.7
United Way of Delaware County, Inc.	28,483	2.8	42,562	4.1
Program service fees	64,654	6.5	34,988	3.3
Fund-raising	14,288	1.4	20,425	2.0
Membership income	8,447	0.8	9,032	0.9
Miscellaneous income	46,793	4.7	45,057	4.3
Rental income	6,076	0.6	4,790	0.5
Interest income	41		10	
Loss on disposal of equipment	(100)			
Total Public Support and Revenue	<u>\$ 1,004,429</u>	<u>100.0 %</u>	<u>\$ 1,045,812</u>	<u>100.0 %</u>

OPEN DOOR COMMUNITY SERVICES, INC.SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-through Programs from:			
Indiana State Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3610-572900 -142500 3610-572900 -142500 3610-572900 -144300	\$ 254,637 85,156 846
Special Supplemental Nutrition Program for Women, Infants, and Children - Donated Inventory (Note B)	10.557	MWSSNP2-5: WFM2 (IN)	<u>5,994</u>
Total U.S. Department of Agriculture			<u>\$ 346,633</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Supportive Housing Program	14.235	IN36B40-2016 IN36B30-2006 IN36B30-2008	\$ 104,922 84,379 <u>36,149</u>
Total Direct Programs			<u>\$ 225,450</u>
Pass-through Programs from:			
LifeStream Services, Inc. - Supportive Housing for the Elderly	14.157		\$ 1,540
City of Muncie, Community Development - Community Development Block Grants/ Entitlement Grants	14.218	06-012	15,060
Indiana Housing and Community Development Authority - Emergency Shelter Grants Program	14.231	ES-006-065 ES-006-066 ES-007-066	38,247 4,951 <u>5,481</u>
Total Pass-through Programs			<u>\$ 65,279</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 290,729</u>

OPEN DOOR COMMUNITY SERVICES, INC.SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Pass-through Programs from:			
LifeStream Services, Inc. -			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044		\$ 9,703
Social Services Block Grant	93.667		37,486
Indiana Department of Child Services -			
Promoting Safe and Stable Families	93.556	97-07-72-0241	<u>42,302</u>
Total U.S. Department of Health and Human Services			<u>\$ 89,491</u>
Total Expenditures of Federal Awards			<u>\$ 726,853</u>

OPEN DOOR COMMUNITY SERVICES, INC.**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007****NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Open Door Community Services, Inc. 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 Not-for-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 B – INVENTORY USAGE AND DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the inventory received and disbursed. At December 31, 2007, the Organization had inventory provided through the Special Supplemental Nutrition Program for Women, Infants, and Children totaling \$27,263.

SPECIAL REPORTS



WHITINGER & COMPANY_{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**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
Open Door Community Services, Inc.
Muncie, Indiana

We have audited the financial statements of Open Door Community Services, Inc. as of and for the year ended December 31, 2007, and have issued our report thereon dated August 19, 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 Open Door Community Services, Inc.'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Open Door Community Services, Inc.'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*.

Board of Directors
Open Door Community Services, Inc.
Page Two

We noted certain other matters that we reported to management of Open Door Community Services, Inc. in a separate letter dated August 19, 2008.

This report is intended solely for the information and use of the audit committee, 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.

Whitiger & Company LLC

Certified Public Accountants

August 19, 2008



WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Board of Directors
Open Door Community Services, Inc.
Muncie, Indiana

COMPLIANCE

We have audited the compliance of Open Door Community Services, Inc. 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 December 31, 2007. Open Door Community Services, Inc.'s major federal programs are identified in the summary of auditors' 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 Open Door Community Services, Inc.'s management. Our responsibility is to express an opinion on Open Door Community Services, Inc.'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 Not-for-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 Open Door Community Services, Inc.'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 of Open Door Community Services, Inc.'s compliance with those requirements.

In our opinion, Open Door Community Services, 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.

Board of Directors
Open Door Community Services, Inc.
Page Two

INTERNAL CONTROL OVER COMPLIANCE

The management of Open Door Community Services, 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 our audit, we considered Open Door Community Services, 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, 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.

Whitiger & Company LLC

Certified Public Accountants

August 19, 2008

OPEN DOOR COMMUNITY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued.	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ x no
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ x none reported
Noncompliance material to financial statements noted?	_____ yes	_____ x no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	_____ x no
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ x none reported
Type of auditors' report issued on compliance for major programs.	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with <i>Section</i> <i>510(a)</i> of <i>Circular A-133</i> ?	_____ yes	_____ x no

OPEN DOOR COMMUNITY SERVICES, INC.**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007****Section 1 - Summary of Auditors' Results (continued)**

Identification of major programs:

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	3610-572900-142500	Pass-through from Indiana State Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish
between type A and type B programs:\$ 300,000

Auditee qualified as low-risk auditee?

 x yes no**Section 2 - Financial Statement Findings**

No matters were reported.

Section 3 - Federal Awards Findings and Questioned Costs

No matters were reported.



WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

August 19, 2008

Board of Directors
Open Door Community Services, Inc.
Muncie, Indiana

In planning and performing our audit of the financial statements of Open Door Community Services, Inc. for the year-ended December 31, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated August 19, 2008, on the financial statements of Open Door Community Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed most of these comments and suggestions with various organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Our comments are summarized as follows:

Indirect Cost Allocation Plan

During our transaction testing, we noted that the Organization's cost allocation plan utilized for allocating indirect costs had not been formally renewed since 2002. An indirect cost allocation plan is used to charge overhead and other non-specific costs to programs that share in those costs at different levels. In order to ensure costs are charged to programs accurately, based on their share, an indirect cost allocation plan is necessary. We recommend the Organization periodically review the indirect cost allocation plan for any changes that may be needed and allow the board to formally approve the use of the plan.

Board of Directors
Open Door Community Services, Inc.
August 19, 2008
Page Two

Segregation of Duties

A common problem in many not for profit organizations is that there are not enough accounting personnel to adequately segregate duties. Segregation of duties helps accomplish the objective of safeguarding assets by requiring that more than one person be involved with each accounting task. As it may not be economically feasible to add an additional staff member, it is our recommendation that existing staff be utilized in various functions to improve segregation of duties.

Employees should be required to take mandatory vacations with a different person performing their duties during that vacation time. By rotating responsibilities among the accounting department, one person's work is made subject to review by other individuals. This control creates an additional level of checks and balances for the Organization.

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

Whitiger & Company LLC

Sincerely,

Certified Public Accountants