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June 18, 2009

Board of Directors
Indiana Perinatal Network, Inc.
1991 E. 56th Street
Indianapolis, IN 46220

We have reviewed the audit report prepared by BKD, LLP, 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 Indiana Perinatal Network, 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 22 contains one current audit finding.

STATE BOARD OF ACCOUNTS

Indiana Perinatal Network, Inc.

Accountants' Report and Financial Statements

December 31, 2007 and 2006

Indiana Perinatal Network, Inc.
December 31, 2007 and 2006

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Indiana Perinatal Network, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Indiana Perinatal Network, Inc. (Organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Perinatal Network, Inc. as of December 31, 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 July 30, 2008, on our consideration of the Organization'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

July 30, 2008

Indiana Perinatal Network, Inc.

Statements of Financial Position December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 427,467	\$ 313,574
Accounts receivable	370	4,406
Grant reimbursements receivable	147,561	242,177
Property and equipment, net	27,194	31,252
Prepaid assets	-	11,016
	<u> </u>	<u> </u>
Total assets	<u>\$ 602,592</u>	<u>\$ 602,425</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,334	\$ 6,200
Accrued expenses	24,440	17,880
Deferred revenue	-	11,016
Total liabilities	<u>30,774</u>	<u>35,096</u>
 Net Assets		
Unrestricted	451,049	362,524
Temporarily restricted	120,769	204,805
	<u>571,818</u>	<u>567,329</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 602,592</u>	<u>\$ 602,425</u>

Indiana Perinatal Network, Inc.
Statements of Activities
Years Ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
Contributions	\$ 6,198	\$ 109,600	\$ 115,798	\$ 5,666	\$ 193,650	\$ 199,316
Federal and state grants	793,459	-	793,459	980,321	-	980,321
Member dues	19,649	-	19,649	23,642	-	23,642
Conference revenue	69,087	-	69,087	52,292	-	52,292
In-kind contributions	5,895	-	5,895	20,890	-	20,890
Interest income	11,853	-	11,853	4,312	-	4,312
Other	4,844	-	4,844	2,811	-	2,811
	<u>910,985</u>	<u>109,600</u>	<u>1,020,585</u>	<u>1,089,934</u>	<u>193,650</u>	<u>1,283,584</u>
Net assets released from restrictions	193,636	(193,636)	-	31,158	(31,158)	-
Total revenue, gains and other support	<u>1,104,621</u>	<u>(84,036)</u>	<u>1,020,585</u>	<u>1,121,092</u>	<u>162,492</u>	<u>1,283,584</u>
Expenses						
Program services	886,904	-	886,904	881,928	-	881,928
Management and general	129,192	-	129,192	190,251	-	190,251
Total expenses	<u>1,016,096</u>	<u>-</u>	<u>1,016,096</u>	<u>1,072,179</u>	<u>-</u>	<u>1,072,179</u>
Change in Net Assets	88,525	(84,036)	4,489	48,913	162,492	211,405
Net Assets, Beginning of Year	362,524	204,805	567,329	313,611	42,313	355,924
Net Assets, End of Year	<u>\$ 451,049</u>	<u>\$ 120,769</u>	<u>\$ 571,818</u>	<u>\$ 362,524</u>	<u>\$ 204,805</u>	<u>\$ 567,329</u>

Indiana Perinatal Network, Inc.
Statements of Functional Expenses
Years Ended December 31, 2007 and 2006

	2007			2006		
	Management and General		Total Expenses	Management and General		Total Expenses
	Program Services			Program Services		
Contract labor	\$ 740,117	\$ 81,842	\$ 821,959	\$ 671,165	\$ 124,350	\$ 795,515
Accounting	-	24,182	24,182	-	24,007	24,007
Administrative costs	-	7,439	7,439	1,586	4,821	6,407
Advertising	-	-	-	37,090	-	37,090
Bank service charges	-	206	206	-	837	837
Communications	-	-	-	8,130	2,033	10,163
Supplies	9,743	626	10,369	12,495	7,436	19,931
Depreciation	12,864	2,094	14,958	13,325	2,538	15,863
Dues and subscriptions	1,918	-	1,918	-	255	2,55
Program activities	756	-	756	20,383	-	20,383
Conferences	36,440	-	36,440	53,429	413	53,842
Travel	14,667	-	14,667	10,949	2,602	13,551
Meetings	-	4,063	4,063	-	2,760	2,760
Postage	5,045	-	5,045	4,086	1,022	5,108
Printing	36,091	-	36,091	27,316	6,771	34,087
Rent	13,108	2,134	15,242	7,045	1,342	8,387
Telephone and IT	16,155	2,630	18,785	14,929	3,732	18,661
Miscellaneous	-	3,976	3,976	-	5,332	5,332
Totals	\$ 886,904	\$ 129,192	\$ 1,016,096	\$ 881,928	\$ 190,251	\$ 1,072,179

Indiana Perinatal Network, Inc.
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Operating Activities		
Change in net assets	\$ 4,489	\$ 211,405
Items not requiring cash		
Depreciation	14,958	15,863
Changes in		
Accounts receivable	4,036	4,769
Grant reimbursements receivable	94,616	270,931
Prepaid assets	11,016	(11,016)
Accounts payable and accrued expenses	6,694	(21,079)
Deferred revenue	(11,016)	11,016
Net cash provided by operating activities	124,793	481,889
Investing Activity - purchase of property and equipment	(10,900)	(17,202)
Financing Activities		
Net change in line of credit	-	(80,000)
Outstanding checks in excess of bank balance	-	(71,113)
Net cash used in financing activities	-	(151,113)
Increase in Cash	113,893	313,574
Cash, Beginning of Year	313,574	-
Cash, End of Year	\$ 427,467	\$ 313,574

Indiana Perinatal Network, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

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

Nature of Operations

Indiana Perinatal Network, Inc. (Organization) is a not-for-profit organization whose mission and principal activities are to provide, develop and promote information for all pregnant women about the positive steps they can take to assure their good health and the health of their unborn children. The Organization's revenues and other support are derived principally from government grants and its activities are conducted principally in the Indianapolis area.

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.

Cash

At December 31, 2007, the Organization's cash accounts exceed federally insured limits by approximately \$340,000. Cash exceeding federally insured limits is deposited in a repurchase agreement swept daily and invested.

Property and Equipment

Expenditures for equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization 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>
Furniture and equipment	5 - 7
Software, hardware and website	3 - 5

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Indiana Perinatal Network, Inc.

Notes to Financial Statements December 31, 2007 and 2006

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Contributed services, consisting of collating, mailing and printing services, are reflected in the statements of activities as an expense and an offsetting amount of income. For the years ended December 31, 2007 and 2006, this adjustment amounted to \$5,895 and \$20,890, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and management and general categories based upon the amount of actual direct expenses and time incurred in each of these functional categories.

Indiana Perinatal Network, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Note 2: Grant Commitments

The Organization 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 the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2007, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2007:

Grant	Term	Grant Amount	Earned as of December 31, 2007	Funding Available
Maternal and Child Services Block Grant	October 1, 2006 through September 30, 2008	\$ 1,207,298	\$ 741,152	\$ 466,146
Maternal and Child Services Block Grant (Audiologist)	September 1, 2004 through June 30, 2008	398,972	290,939	108,033
Maternal and Child Services Block Grant (Breastfeeding)	October 15, 2007 through June 30, 2008	7,500	700	6,800
Maternal and Child Services Block Grant (Indiana Access)	October 1, 2006 through September 30, 2008	<u>476,875</u>	<u>214,049</u>	<u>262,826</u>
		<u>\$ 2,090,645</u>	<u>\$ 1,246,840</u>	<u>\$ 843,805</u>

Indiana Perinatal Network, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Note 3: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 36,313	\$ 48,301
Furniture and fixtures	7,392	5,442
Website development	21,592	21,592
Software	15,986	9,166
	<u>81,283</u>	<u>84,501</u>
Less accumulated depreciation	(54,089)	(53,249)
	<u>\$ 27,194</u>	<u>\$ 31,252</u>

Note 4: Line of Credit

The Organization has a \$100,000 variable rate revolving line of credit due on demand. Interest is charged at 2.0% above the bank's prime rate, or 9.5% and 10.0% on December 31, 2007 and 2006, respectively, and is payable monthly. The outstanding borrowings against this line were \$0 as of December 31, 2007 and 2006.

Note 5: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Indiana Access	\$ 29,409	\$ 68,397
Doula	83,310	131,758
Indiana Newborn Development Care Committee	1,000	4,650
Indiana Perinatal Education Committee	7,050	-
	<u>\$ 120,769</u>	<u>\$ 204,805</u>

Indiana Perinatal Network, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Releases From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>2007</u>	<u>2006</u>
Indiana Access	\$ 38,988	\$ 18,916
Indiana Newborn Development Care Committee	4,650	-
Doula	<u>149,998</u>	<u>12,242</u>
	<u>\$ 193,636</u>	<u>\$ 31,158</u>

Note 6: Operating Leases

During September 2006, the Organization entered into a lease agreement for office space that expires on December 17, 2009. The lease contains a renewal option for the period on two years. Future minimum lease payments as of December 31, 2007, are:

2008	\$ 11,767
2009	<u>11,517</u>
	<u>\$ 23,284</u>

Note 7: Significant Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain current vulnerabilities due to certain concentrations. Those matters include the following:

Grants

Approximately 78% and 76% of all revenues were received from government grants in 2007 and 2006, respectively.

Contributions

Approximately 82% of all contributions were received from one donor in 2007 and approximately 86% of all contributions were received from two donors in 2006.

Indiana Perinatal Network, Inc.

Notes to Financial Statements December 31, 2007 and 2006

Note 8: Defined-Contribution Retirement Plan

The Organization contracts with an outside service agency for all of its contract labor. All employment related costs for these individuals are reimbursed by the Organization, including salaries, wages, payroll taxes and contributions to a 401(k) retirement plan. According to the plan document, contributions to the plan are to be made by the Organization each year in an amount equal to 3% of each participant's compensation for the plan year. Additional discretionary matching contributions are allowed under the plan, but may not exceed 4% of each participant's compensation for the plan year. The plan was adopted in May 2002, and the Organization incurred \$14,465 and \$14,126 in expense for contributions made to the plan for 2007 and 2006.

Supplementary Information

Indiana Perinatal Network, Inc.

Schedule of Governmental Awards Year Ended December 31, 2007

Federal Grantor/ Pass/through Grantor/ Program Title/ Grant Name	Federal CFDA Number	State Grant Number	Total Grant Amount
Pass-through programs			
U. S. Department of Health and Human Services pass-through from Indiana			
State Department of Health			
Maternal and Child Health Services Block Grant	93.994	3620-572900-141600 MCH 479-1	\$ 1,207,298
Maternal and Child Health Services Block Grant (Audiologist)	93.994	3620-572900-141600 MCH 479-2	398,972
Maternal and Child Health Services Block Grant (Breastfeeding)	93.994	1000-572900-104000 MCH 479-4	7,500
Maternal and Child Health Services Block Grant (Indiana Access)	93.994	3620-572900-141600 MCH 479-6	<u>476,875</u>
			<u>\$ 2,090,645</u>

Grant Reimbursements Receivable at Beginning of Year	Receipts	Disbursements/ Expenditures	Grant Reimbursements Receivable at End of Year
\$ 169,364	\$ 636,609	\$ 554,195	\$ 86,950
36,889	82,424	60,435	14,900
-	-	700	700
<u>35,924</u>	<u>169,042</u>	<u>178,129</u>	<u>45,011</u>
<u>\$ 242,177</u>	<u>\$ 888,075</u>	<u>\$ 793,459</u>	<u>\$ 147,561</u>

Indiana Perinatal Network, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2007

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Maternal and Child Health Services Block Grant	U. S. Department of Health and Human Services/State of Indiana-Department of Health	93.994	3620-572900-141600 (MCH 479-1)	\$ 554,195
Maternal and Child Health Services Block Grant (Audiologist)	U. S. Department of Health and Human Services/State of Indiana-Department of Health	93.994	3620-572900-141600 (MCH 479-2)	60,435
Maternal and Child Health Services Block Grant (Breastfeeding)	U. S. Department of Health and Human Services/State of Indiana-Department of Health	93.994	1000-572900-104000 (MCH 479-4)	700
Maternal and Child Health Services Block Grant (Indiana Access)	U. S. Department of Health and Human Services/State of Indiana-Department of Health	93.994	3620-572900-141600 (MCH 479-6)	178,129
				<u>\$ 793,459</u>

Notes to Schedule

1. This schedule includes the federal awards activity of Indiana Perinatal Network, 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 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.
2. The Organization provided no federal awards to subrecipients.

Single Audit Section



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
Indiana Perinatal Network, Inc.
Indianapolis, Indiana

We have audited the financial statements of Indiana Perinatal Network, Inc. as of and for the year ended December 31, 2007, and have issued our report thereon dated July 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 07-1 to be a significant deficiency in internal control over financial reporting.

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 the Organization'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the Organization's management in a separate letter dated July 30, 2008.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the Organization 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
July 30, 2008



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

Board of Directors
Indiana Perinatal Network, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of Indiana Perinatal Network, 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. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the compliance of Indiana Perinatal Network, Inc. based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Indiana Perinatal Network, 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 Indiana Perinatal Network, 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 the Organization'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 Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of 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.

BKR, LLP

Indianapolis, Indiana
July 30, 2008

Indiana Perinatal Network, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 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. The Organization's major programs were:

Cluster/Program	CFDA Number
Maternal and Child Health Services Block Grant	93.994

Indiana Perinatal Network, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 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 \$300,000.
9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Indiana Perinatal Network, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2007

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
07-1	<p>Criteria: Generally accepted accounting principles in the United States of America require that grant revenue be recorded as related allowable expenses are incurred.</p> <p>Condition: Grant revenue and the related receivable were recorded twice for three months of grant activity.</p> <p>Context: At the end of each quarter, the outsourced accountants record a receivable and the revenue in the period in which it is earned. This entry is then reversed at the beginning of the next period by the Administrative Director. The Administrative Director then records a receivable and the related revenue when she bills the State of Indiana for the grant reimbursement.</p> <p>Cause: The entry made by the outsourced accountants was not marked to be reversed and the reversal was not made.</p> <p>Effect: Grant revenue and grant receivable were overstated.</p> <p>Recommendation: The Organization should review the account balances periodically to ensure they match the activity that has occurred and all reversing entries have been made.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The Organization implemented new accounting software on January 1, 2008, which enables accounting activity and financial reporting to be conducted in one system, thereby eliminating opportunities for discrepancies such as this between the outsourced accountants' records and the Organization's records. Furthermore, a written agreement was made on March 12, 2008 between the Organization Management and the Board requiring that financial statements be reviewed by the Director of Operations, the Executive Director, and the Board Treasurer prior to distribution to the Board.</p>	None

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Indiana Perinatal Network, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2007

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Status
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No matters are reportable.