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June 23, 2009

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

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indianapolis Private Industry Council, as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. Pages 23 and 24 contain two current audit findings.

STATE BOARD OF ACCOUNTS

Indianapolis Private Industry Council

Accountants' Report and Financial Statements

June 30, 2008 and 2007

Indianapolis Private Industry Council
June 30, 2008 and 2007

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Indianapolis Private Industry Council (IPIC) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of IPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Private Industry Council as of June 30, 2008 and 2007, 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 March 2, 2009, on our consideration of IPIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

BKD, LLP

March 2, 2009

Indianapolis Private Industry Council

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents (Note 1)	$ 2,660,657	$ 3,699,106
Certificates of deposit	416,797	449,232
Accounts receivable	114,555	12,698
Federal grant reimbursements receivable	970,795	1,381,853
Prepaid expenses	167,720	33,486
Contributions receivable (Note 2)	-	60,000
Property and equipment (Note 4)	134,277	94,650
Total assets	$ 4,464,801	$ 5,731,025
Liabilities		
Accounts payable and accrued expenses	$ 1,359,078	$ 1,701,850
Deferred federal support	-	101
Total liabilities	1,359,078	1,701,951
Net Assets		
Unrestricted	592,571	502,691
Temporarily restricted (Note 6)	2,513,152	3,526,383
Total net assets	3,105,723	4,029,074
Total liabilities and net assets	$ 4,464,801	$ 5,731,025

See Notes to Financial Statements

Indianapolis Private Industry Council

Statements of Activities

Years Ended June 30, 2008 and 2007

	2008 Unrestricted	2008 Temporarily Restricted	2008 Total	2007 Unrestricted	2007 Temporarily Restricted	2007 Total
Revenues, Gains and Other Support						
Contribution income	$ 246,259	$ 338,021	$ 584,280	$ 1,029,589	$ 3,208,652	$ 4,238,241
Government grants - federal (Note 3)	10,280,470	-	10,280,470	10,221,107	-	10,221,107
Interest	119,004	-	119,004	116,665	-	116,665
Net assets released from restrictions (Note 6)	1,351,252	(1,351,252)	-	709,474	(709,474)	-
Total revenues, gains and other support	11,996,985	(1,013,231)	10,983,754	12,076,835	2,499,178	14,576,013
Expenses						
Workforce development services	8,797,253	-	8,797,253	8,720,847	-	8,720,847
Management and general	3,093,061	-	3,093,061	3,307,866	-	3,307,866
Fund raising	16,791	-	16,791	18,762	-	18,762
Total expenses	11,907,105	-	11,907,105	12,047,475	-	12,047,475
Change in Net Assets	89,880	(1,013,231)	(923,351)	29,360	2,499,178	2,528,538
Net Assets, Beginning of Year	502,691	3,526,383	4,029,074	473,331	1,027,205	1,500,536
Net Assets, End of Year	$ 592,571	$ 2,513,152	$ 3,105,723	$ 502,691	$ 3,526,383	$ 4,029,074

See Notes to Financial Statements

Indianapolis Private Industry Council

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Operating Activities		
Change in net assets	$ (923,351)	$ 2,528,538
Items not requiring cash		
Depreciation	39,846	67,214
Changes in		
Accounts receivable	(101,857)	(2,910)
Grant receivables	411,058	(240,716)
Advances to subrecipients	-	6,381
Prepaid expenses	(134,234)	(10,917)
Contributions receivable	60,000	90,000
Accounts payable and accrued expenses	(342,772)	378,862
Deferred support	(101)	(20,495)
Net cash provided by (used in) operating activities	(991,411)	2,795,957
Investing Activities		
Purchase of equipment	(79,473)	(61,766)
Purchase of certificates of deposit	(444,849)	(519,823)
Maturities of certificates of deposit	477,284	577,772
Net cash used in investing activities	(47,038)	(3,817)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,038,449)	2,792,140
Cash and Cash Equivalents, Beginning of Year	3,699,106	906,966
Cash and Cash Equivalents, End of Year	$ 2,660,657	$ 3,699,106

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

General

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

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

Use of Estimates

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

Temporarily Restricted Net Assets

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

Cash and Cash Equivalents

For purposes of reporting cash flows, IPIC considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2008 and 2007, cash equivalents consisted primarily of short-term certificates of deposits. At June 30, 2008, IPIC's deposit accounts exceeded federally insured limits by approximately $2,740,000.

Income Taxes

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

Promises to Give

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

Property and Equipment

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

	Years
Furnishings and equipment	3-10
Leasehold improvements	3-10

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

Support and Revenue

IPIC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, IPIC reports the support as unrestricted.

Government Grants

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

Expense Allocation

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

Note 2: Contributions Receivable

At June 30, 2007, IPIC had $60,000 in temporarily restricted contributions receivable. This contribution receivable was restricted for purposes of Biotech Bound and was collected during 2008.

Note 3: Grant Commitments

IPIC receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of IPIC are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2008 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2008:

Grant	Term	Grant Amount	Earned as of June 30, 2008	Funding Available
WIA Administration	07/01/07 - 06/30/09	$ 929,601	$ 232,558	$ 697,043
WIA Adult	07/01/07 - 06/30/09	3,216,752	2,728,972	487,780
WIA Youth	07/01/07 - 06/30/09	3,218,935	2,471,466	747,469
WIA Dislocated Worker	07/01/07 - 06/30/09	1,942,589	947,353	995,236
Technology Opportunities Grant	10/01/03 - 09/30/08	675,000	276,027	398,973
Ex-Offender/Apollo 13	07/01/07 - 04/30/09	1,000,000	341,880	658,120
High Skills Grant	06/15/05 - 12/14/08	1,000,000	821,128	178,872
Chronically Homeless	09/30/07 - 09/29/08	394,971	233,796	161,175
YouthBuild	10/15/07 - 10/14/10	1,099,243	256,578	842,665
		$ 13,477,091	$ 8,309,758	$ 5,167,333

Note 4: Property and Equipment

IPIC's property and equipment are as follows:

	2008	2007
Furnishings and equipment	$ 542,100	$ 462,628
Accumulated depreciation and amortization	(407,823)	(367,978)
	$ 134,277	$ 94,650

Note 5: Leases

IPIC leases office space and various items of equipment under operating lease arrangements. These leases expire at various dates through June 30, 2013. Rental expense for these leases included in the statements of activities for the years ended June 30, 2008 and 2007 was $415,317 and $307,065.

Minimum annual rental payments required under the operating leases which have remaining terms in excess of one year as of June 30, 2008 are as follows:

2009	$ 301,980
2010	305,636
2011	168,579
2012	152,136
2013	25,356
	$ 953,687

Note 6: Net Assets

Temporarily Restricted Net Assets

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

	2008	2007
Workforce Innovations	$ 220,267	$ 260,722
Youth Employment Services	1,533,823	2,754,240
Central Indiana Community Network	15,781	15,781
Biotech Bound	31,026	41,116
Making Connections	38,011	29,701
Training in Medical Professions	374,234	424,823
Community Planning	123,775	-
YouthBuild Initiative	5,505	-
Indy Employment Network	170,730	-
	$ 2,513,152	$ 3,526,383

Net Assets Released From Restrictions

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

	2008	2007
Purpose restrictions accomplished		
Workforce Innovations	$ 40,455	$ 82,864
Youth Employment Services	1,220,417	392,527
Biotech Bound	10,090	205,799
Casey Family Program	-	212
Central Indiana Community Network	-	28,072
Making Connections	29,701	-
Training in Medical Professions	50,589	-
Total net assets released from restrictions	$ 1,351,252	$ 709,474

Note 7: Employee Benefits

IPIC maintains a 401(k) plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. IPIC's contribution consists of a contribution of 7% of eligible compensation and amounted to $91,737 and $84,977 for 2008 and 2007.

Indianapolis Private Industry Council

Notes to Financial Statements
June 30, 2008 and 2007

Note 8: Related Party Transactions

One voting WIB member of IPIC is employed by Ivy Tech Community College, a contractor of services for IPIC. Payments to this contractor were $395,956 in 2008 and $77,587 in 2007.

Two non-voting Youth Council members are employed by Indianapolis Public Schools, a contractor of services for IPIC. Payments to this contractor were $116,535 in 2008 and $192,291 in 2007.

Note 9: Concentrations

Revenue

For the years ended June 30, 2008 and 2007, revenue from federal funding sources represented approximately 94% and 70%, respectively, of IPIC's total revenue.

Contributions

Approximately 83% and 88% of all contributions were received from two donors and one donor in 2008 and 2007, respectively.

Note 10: Commitments and Contingencies

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

Note 11: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to IPIC.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue, governmental support and grant revenue could have an adverse impact on IPIC's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments.

Indianapolis Private Industry Council

Schedule of Governmental Awards
Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Grant Number	Total Grant Amount	Grant Reimbursements Net Receivable at Beginning of Year
Department of Labor				
Direct programs				
Chronically Homeless Grant	17.261	E9430109	$ 874,932	$ 26,872
High Skills	17.261	HG-14754-05-60	1,000,000	136,119
Ex-Offender/Apollo 13	17.261	YF165000760A18	1,000,000	-
YouthBuild	17.274	YB169260860A18	1,099,243	-
Pass-through programs				
State of Indiana, Department of Workforce Development				
WIA Administration	17.258	WIB639/WIB739	1,771,878	53,497
WIA Youth	17.259	WIB639/WIB739	6,080,224	91,477
WIA Adult	17.258	WIB639/WIB739	7,426,558	803,694
WIA Incentive	17.258	WIA539	60,285	4,069
WIA Dislocated Worker	17.260	WIA539/WIB639/WIB739	4,025,831	211,015
WIA Rapid Response	17.260	DISC539	210,000	(101)
Navigator Project	17.258	C1-7-NAV-6-39	71,661	-
Integrated Services	17.207	IS639	1,965	-
Training Acceleration Grant (TAG)	17.207	C1-8-BC-739	173,000	-
Department of Housing and Urban Development				
Pass-through program				
City of Indianapolis				
Community Development Block Grant	14.218		210,000	21,673
Department of Education				
Pass-through program				
City of Indianapolis				
Carl Perkins	84.051		14,200	-
Department of Commerce				
Direct program				
Technology Opportunities Program	11.552	18-60-I03021	675,000	33,437
				$ 1,381,752

Note: Of the cumulative WIA Administration dollars expended ($520,831) under grant number WIB639 (CFDA #17.258), 69% is attributable to WIA Adult (CFDA #17.258), 8% is attributable to WIA Youth (CFDA #17.259) and 23% is attributable to WIA Dislocated Worker (CFDA #17.260).

Of the cumulative WIA Administration dollars expended ($232,558) under grant number WIB739 (CFDA #17.258), 50% is attributable to WIA Adult (CFDA #17.258), 33% is attributable to WIA Youth (CFDA #17.259) and 17% is attributable to WIA Dislocated Worker (CFDA #17.260).

Receipts	Disbursements/ Expenditures	Grant Reimbursements Net Receivable at End of Year
$ 298,804	$ 359,229	$ 87,297
317,053	231,109	50,175
268,563	341,880	73,317
201,500	256,578	55,078
743,000	753,389	63,886
2,415,003	2,617,181	293,655
4,683,000	4,017,660	138,354
4,069	-	-
1,573,052	1,387,561	25,524
(101)	-	-
48,700	71,661	22,961
-	97	97
-	108,022	108,022
90,356	99,606	30,923
-	14,200	14,200
48,428	22,297	7,306
$ 10,691,427	$ 10,280,470	$ 970,795

Indianapolis Private Industry Council

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Labor		
Direct programs		
Chronically Homeless/High Skills Grant/Ex-Offender/Apollo 13	17.261	$ 932,218
YouthBuild	17.274	256,578
Pass-through programs		
State of Indiana, Department of Workforce Development		
Integrated Services/Training Acceleration Grant	17.207	108,119
Workforce Investment Act (WIA)	*	8,847,452
Department of Housing and Urban Development		
Pass-through programs		
City of Indianapolis		
Community Development Block Grant	14.218	99,606
Department of Education		
Pass-through programs		
City of Indianapolis		
Carl Perkins	84.051	14,200
Department of Commerce		
Direct program		
Technology Opportunity Program	11.552	22,297
Total Expenditures of Federal Awards		$ 10,280,470

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

Indianapolis Private Industry Council
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

Note 1: Basis of Presentation

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

Note 2: Subrecipients

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

Program	CFDA Number	Amount Provided
Workforce Investment Act	17.258, 17.259, 17.261	$ 6,345,514
Chronically Homeless Grant	17.261	254,472
Ex-Offender Grant	17.274	209,181
YouthBuild	14.218	82,018
Community Development Block Grant	84.601	87,681
Carl Perkins		14,200
		$ 6,993,066

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

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

We have audited the financial statements of Indianapolis Private Industry Council (IPIC) as of and for the year ended June 30, 2008 and have issued our report thereon dated March 2, 2009. 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 IPIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on IPIC'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 IPIC's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of IPIC's financial statements that is more than inconsequential will not be prevented or detected by IPIC's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 08-01 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 IPIC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to IPIC's management in a separate letter dated March 2, 2009.

IPIC's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit IPIC'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 IPIC and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
March 2, 2009

BKD LLP
CPAs & Advisors

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

Board of Directors
Indianapolis Private Industry Council
Indianapolis, Indiana

Compliance

We have audited the compliance of Indianapolis Private Industry Council (IPIC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. IPIC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of IPIC's management. Our responsibility is to express an opinion on the compliance of Indianapolis Private Industry Council based on our audit.

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

In our opinion, Indianapolis Private Industry Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Indianapolis Private Industry Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered IPIC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IPIC's internal control over compliance.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-02 to be a significant deficiency.

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. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

IPIC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit IPIC'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 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
March 2, 2009

Indianapolis Private Industry Council
Schedule of Findings and Questioned Costs
June 30, 2008

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☒ Yes ☐ No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☒ Yes ☐ No

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

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

7. IPIC's major programs were:

Cluster/Program	CFDA Number
Workforce Investment Act	17.258, 17.259, 17.260

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $308,414.

9. IPIC qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

Indianapolis Private Industry Council

Schedule of Findings and Questioned Costs (Continued)
June 30, 2008

Findings Required to be Reported by *Government Auditing Standards*

Reference Number		Finding	Questioned Costs
08-1	**Criteria or Specific Recommendation:**	Management is responsible for establishing effective internal controls over financial reporting.	None
	Condition:	Subsequent to year end, IPIC paid the former President and CEO a severance package that did not meet the requirements of IPIC's severance policy. This severance included six months of additional pay and was based on IPIC's existing severance policy. However, the President and CEO's resignation was not a termination under the severance policy because she was not formally asked to resign by any individual with the authority to seek her resignation.	
	Context:	IPIC's severance policy (which has been subsequently eliminated) required that the employee receiving the severance be terminated "not for cause", or a voluntary separation in which the employee has been asked to resign. IPIC's bylaws stated that an officer may only be removed, with or without cause, by the Board of Directors (or Executive Committee of the Board) whenever a majority of the Board of Directors (or Executive Committee of the Board) votes in favor of such removal. Such a request was not made prior to distributing the former President and CEO's severance package.	
	Effect:	IPIC distributed approximately $86,000 of severance pay without the proper authority.	
	Cause:	Existing controls were overridden by those charged with governance.	
	Recommendation:	IPIC should ensure that existing policies and procedures are followed.	
	Views of Responsible Officials and Planned Corrective Actions:	Management concurs with this recommendation. Subsequent to year end, IPIC eliminated the severance policy, thus eliminating similar future instances. In addition, IPIC paid the severance payment from its unrestricted net assets. Finally, IPIC sought outside legal counsel on this matter.	

Findings Required to be Reported by OMB Circular A-133

Reference Number		Finding	Questioned Costs
08-02	**Federal Program:**	Workforce Investment Act	
	Federal Agency:	Department of Labor	
	CFDA Title and Number:	Workforce Investment Act - 17.258 - .260	
	Award Number:	C1-8-WIB-7-39	
	Award Year:	July 1, 2007 - June 30, 2008	
	Criteria:	**Equipment and Real Property Management** - Under the Workforce Investment Act, grantees must prepare and maintain a current listing of capital assets acquired with federal funds, as well as perform a physical inventory of such equipment at least every two years.	
	Condition:	BKD obtained a listing of capital assets from IPIC and examined support for capital assets acquired during the award year and physically observed capital assets included in the listing.	
	Context:	Of ten capital assets acquisitions sampled, support for one item was not available, as the asset selected was included on the listing in error. Also, of the 30 capital assets sampled for physical observation, two items were not available for observation. They were no longer in the possession of IPIC.	
	Cause:	While IPIC maintains a listing of equipment acquired with federal funds, this list was not reconciled to the general ledger in a timely manner.	
	Effect:	The general ledger did not reflect the accurate value of assets acquired with federal funds.	
	Recommendation:	We recommend IPIC reconcile the detailed inventory of assets acquired with federal funds to the general ledger in a timely manner.	
	Views of Responsible Officials and Planned Corrective Action:	Management concurs with this recommendation. IPIC utilizes the State of Indiana's threshold of $500 when capitalizing equipment. Each of the items listed above were greater than this threshold, but less than the federal threshold for capitalizing equipment ($5,000). Subsequent to year end, IPIC reviewed all property listings required by funders and reconciled them to the general ledger. This listing will be maintained on an ongoing basis and reconciled to the general ledger annually.	

Indianapolis Private Industry Council
Summary Schedule of Prior Audit Findings
June 30, 2008

Reference Number	Finding	Status
	None	

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

As part of our audit of the financial statements of Indianapolis Private Industry Council (IPIC) as of and for the year ended June 30, 2008, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

IPIC's significant accounting policies are described in Note 1 of the audited financial statements. There were no significant changes to IPIC's accounting principles during the year.

Alternative Accounting Treatments

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions or general accounting policies.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Depreciable lives of long-lived assets
- Collectibility of accounts receivable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- No matters are reportable

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments, which, in its judgment, are required to prevent the financial statements from being materially misstated. There was one adjustment proposed and recorded in the current year related to the reconciliation of property and equipment. There were no proposed adjustments not recorded.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding IPIC's application of accounting principles:

- No matters are reportable

Other Material Written Communications

The only other material written communications between management and us related to the audit was the management representation letter, a copy of which is attached.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Indianapolis Private Industry Council (IPIC) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered IPIC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPIC's internal control. Accordingly, we do not express an opinion on the effectiveness of IPIC's internal control. As such, our consideration of internal controls would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects IPIC's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of IPIC's financial statements that is more than inconsequential will not be prevented or detected by IPIC's internal controls.

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

We observed the following matters that we consider to be control deficiencies, significant deficiencies or material weaknesses. Previously, we made observations as a result of our 2007 audit engagement in a letter dated January 17, 2008.

Material Weaknesses

No matters are reportable.

Significant Deficiencies

Refer to the "Independent Accountant's 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.*"

Other Control Deficiencies

During our audit, we noted that the accounts payable specialist has the ability to issue a check, record journal entries and has access to signed checks, as well as maintains the responsibility to reconcile the accounts payable subsidiary ledger to the general ledger. This presents the risk that the accounts payable specialist could alter a signed check and conceal the defalcation by adjusting the general ledger. In an effort to mitigate this risk, IPIC has implemented the following compensating controls, including the requirement that a second individual review all non-standard, non-recurring journal entries. Furthermore, the accounts payable specialist is not an authorized check signer. Finally, the grant contract services accountant reconciles the bank statement and there is a detailed review of the monthly financial statements performed by the chief financial officer.

OTHER MATTERS

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

Whistleblower Policy

The Sarbanes-Oxley Act (Act) was signed into law in July 2002 and applies to public companies. Its purpose is to build and restore confidence in public financial reporting. The Act establishes required communication and responsibilities for audit committees, management and independent auditors. One provision of the Act which applies to all entities, including not-for-profits, requires all organizations to develop procedures for managing employee complaints and allegations. These procedures require the organization to implement a means by which employees can report any inappropriate activities, as well as maintain the anonymity of the reporting employee. The organization is strictly prohibited from taking retaliatory action against any employee that reports such activities, and goes one step further by enforcing criminal penalties on any retaliatory activities taken by employers. These policies and procedures are commonly referred to as "whistle-blower protection." We recommend IPIC develop a formal whistle-blower policy.

Disaster Recovery

IPIC does not have formal written policies and procedures for disaster recovery of its information systems in the event of a catastrophic failure. We recommend the development of written policies as a reference for use in the event of a disaster.

Current Economic Environment

The current economic environment has created unprecedented circumstances and challenges for not-for-profit organizations. As a result, not-for-profit organizations are facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for contributions receivable, etc. that could negatively impact IPIC's ability to maintain sufficient liquidity.

Now, more than ever, we recommend that management and the Board of Directors vigilantly monitor and aggressively manage all of these matters.

FUTURE ACCOUNTING AND TAX CONSIDERATIONS

Revisions for Form 990

The IRS revised Form 990, *Return of Organization Exempt From Income Tax*, for 2008 returns filed in 2009. The new form expanded to include an 11-page core form and 16 supplemental schedules. The redesign of Form 990, the first since 1979, was based on three guiding principles:

- Enhance transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations
- Promote compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance
- Minimize the burden on filing organizations

Form 990 allows your organization an opportunity to present to the public and the IRS an overall view of your mission and operations. Proper disclosure of information on Form 990 is critical to your organization's future success. Donors frequently use Form 990 to assess an organization's merits before making a charitable contribution. Form 990 is easily accessible via the website Guidestar.org. Form 990 also serves as a tool by the IRS to assess the risks and potential weaknesses within your organization and select organizations for audit.

Information required about the organization's governance, management and disclosure has been expanded. The form solicits information regarding policies that are not required under the Internal Revenue Code but are considered best practice by the IRS. Questions involve such topics as conflict of interest policies and administration, document retention policies and whistleblower policies. Narrative descriptions are now required and include the processes used to review the Form 990, to monitor and enforce compliance with conflict of interest policies and to determine management's compensation.

Compensation continues to be a key area of interest. Disclosure amounts will be based upon the W-2s and 1099-MISC filed by the organization. Completion of Schedule J, Compensation Information, is required in several situations, but generally when one or more current officers or key employees has annual compensation over $150,000. Questions also are asked about various fringe benefits (including first-class travel, tax indemnification payments and health and social club dues) and the method used to establish compensation of the CEO/executive director.

More operational information is now required. Schedules are added for items such as foreign activities, fundraising and gaming activities, tax-exempt bonds, business transactions with interested persons (including family members of officers, directors and key employees) and dispositions of more than 25% of net assets.

The time requirements for the revised form will increase for both data gathering and form preparation. Both financial and operational personnel may be involved due to the narratives required throughout the 990. Time spent preparing the form will vary based on the complexity of operations and is significantly increased for:

- Health care entities
- Entities with tax-exempt bonds
- Foreign operations and activities
- Fundraising activities and gaming
- Related party transactions

Both the internal and external costs of preparing Form 990 will increase. The 2008 Form 990 draft instructions for the core form and 16 schedules total 271 pages as opposed to the 70 pages in the 2007 Form 990.

More information on these changes can be located at bkd.com. Click on Industry Solutions, Not-for-Profit & Government, Webcast Series, Archived Webcasts, Hot Tax Topics for Exempt Organizations webcast for a one-hour webcast on Form 990 and other tax topics. The forms and draft instructions are on the IRS website at http://www.irs.gov/charities/article/0,,id=181089,00.html.

FAS 157 - Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*

Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*, applies to the IPIC's financial statements for the year beginning July 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. While FAS 157 does not require any new fair value measurements, it may significantly change how you make some of them.

The following is a brief summary of certain key provisions of FAS 157:

- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This is also referred to as an exit price and conceptually it may differ from the price paid to acquire the asset or received to assume a liability (an entry price)
- The definition of fair value assumes the transaction to sell the asset or transfer the liability will occur in the principal market, or if there is no principal market, the most advantageous market to the seller
- Transaction costs are excluded from fair value measurements
- FAS 157 establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques into three broad levels, considering the relative reliability of the inputs
- Expanded disclosure requirements

Adoption of FAS 157 may be intensive and require significant effort. Just a few of the steps that IPIC should begin taking now if you have not already done so include:

- Inventory and document all assets, liabilities and disclosures that will be impacted by FAS 157
- Determine the valuation premise and technique for all fair value measurements as well as a preliminary classification of each input within the fair value hierarchy
- Develop a means to accumulate the information necessary to meet the disclosure requirements of the standard

We recommend you begin assessing the steps required to effectively implement FAS 157 early as significant effort may be required.

FAS 159 - Statement of Financial Accounting Standards No. 159 (FAS 159), ***The Fair Value Option for Financial Assets and Liabilities - Including an Amendment of FASB Statement No. 115***

Statement of Financial Accounting Standards No. 159 (FAS 159), *The Fair Value Option for Financial Assets and Liabilities - Including an Amendment of FASB Statement No. 115*, applies to IPIC's financial statements for the year beginning July 1, 2008. FAS 159 permits (but does not require) entities to choose to measure many financial assets, financial liabilities and certain other items at fair value. Changes in fair value will be recognized in earnings.

FAS 159 provides a list of financial assets and liabilities that are eligible for the fair value election as well as a list of financial assets and liabilities for which the fair value option may not be elected. For those eligible items, the decision about whether to elect the fair value option is applied instrument by instrument (except in a few specified circumstances), is irrevocable unless a new election date occurs and is applied only to an entire instrument as opposed to specified risks, cash flows or portions of an instrument.

For those items elected to be measured at fair value, the measurement and disclosure provisions of FAS 157 will apply in addition to the disclosure requirements of FAS 159.

We recommend you evaluate the cost versus benefit of the election available under FAS 159 and begin assessing the steps required for an effective implementation.

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

BKD, LLP

March 2, 2009