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June 24, 2009

Board of Directors
Community Health Intervention
and Education Foundation, Inc.
109 South Jefferson St.
Rockville, IN 47872

We have reviewed the audit report prepared by Sackrider & Company, Inc., Independent Public Accountants, for the period October 1, 2007 to September 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 Community Health Intervention and Education Foundation, Inc., as of September 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. The management letter contains four comments.

STATE BOARD OF ACCOUNTS

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

**Financial Statements and Report of
Independent Certified Public Accountants**

September 30, 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Community Health Intervention and
Education Foundation, Inc.
Rockville, Indiana

We have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of Community Health Intervention and Education Foundation, Inc. as of September 30, 2008 and the related statements of support, revenue, and expenses and changes in net assets-modified cash basis and functional expenses-modified cash basis 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. Information for the year ended September 30, 2007 is presented for comparative purposes only and was extracted from the financial statements presented for that year on which an unqualified opinion dated June 4, 2008 was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Community Health Intervention and Education Foundation, Inc. as of September 30, 2008 and its support, revenue, and expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 2.

Sackrider & Company, Inc.

Terre Haute, Indiana
February 17, 2009

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

September 30,

	2008			2007
ASSETS	Unrestricted	Temporarily Restricted	Total	Total
Cash	\$ 37,178	\$ 15,250	\$ 52,428	\$ 40,050
Interest in net assets of community foundation	4,626	-	4,626	4,668
Property and equipment				
Building	273,359	-	273,359	270,631
Furniture and equipment	151,144	-	151,144	150,144
	424,503	-	424,503	420,775
Less accumulated depreciation	186,935	-	186,935	169,574
	237,568	-	237,568	251,201
Total assets	\$ 279,372	\$ 15,250	\$ 294,622	\$ 295,919
LIABILITIES AND NET ASSETS				
Payroll liabilities	\$ 6,454	\$ -	\$ 6,454	\$ 8,350
Funds held on behalf of others	-	15,000	15,000	-
Notes payable	72,801	-	72,801	115,604
Mortgage payable	108,687	-	108,687	115,267
Net assets	91,430	250	91,680	56,698
Total liabilities and net assets	\$ 279,372	\$ 15,250	\$ 294,622	\$ 295,919

The accompanying notes are an integral part of this statement.

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

**Statement of Support, Revenue, and Expenses and Changes in Net Assets
- Modified Cash Basis**

Year Ended September 30,

	2008			2007 Total
	Unrestricted	Temporarily Restricted	Total	
Support				
United Way	\$ 29,745	\$ -	\$ 29,745	\$ 36,773
Contributions	2,238	-	2,238	2,000
Fundraising income	900	-	900	1,747
In-kind support	29,040	-	29,040	21,800
Total support	<u>61,923</u>	<u>-</u>	<u>61,923</u>	<u>62,320</u>
Revenue				
Federal grants	106,531	-	106,531	109,962
State and local grants	310,330	1,255	311,585	240,548
Patient fees	142,334	-	142,334	94,561
Medicare & Medicaid	88,066	-	88,066	51,024
Rent income	3,145	-	3,145	6,156
Change in interest in net assets of community foundation	(42)	-	(42)	210
Health insurance	18,050	-	18,050	12,688
Interest income	32	-	32	
Other income	527	-	527	528
Total revenue	<u>668,973</u>	<u>1,255</u>	<u>670,228</u>	<u>515,677</u>
Net assets released from restrictions:				
Satisfaction of purpose requirements	1,105	(1,105)	-	-
Total support and revenue	732,001	150	732,151	577,997
Expenses				
Program services				
Maternal and Child Health Services Grant	217,564	-	217,564	163,713
Women, Infants, and Children Program	54,752	-	54,752	46,558
Community Health Clinic Grant	303,512	-	303,512	265,478
Dental Program	43,683	-	43,683	47,317
Family Assistance Program	1,105	-	1,105	2,213
Management and general expenses	76,553	-	76,553	96,605
Fundraising expenses	-	-	-	-
Total expenses	<u>697,169</u>	<u>-</u>	<u>697,169</u>	<u>621,884</u>
Increase (Decrease) in net assets	34,832	150	34,982	(43,887)
Net assets at beginning of year	<u>56,598</u>	<u>100</u>	<u>56,698</u>	<u>100,585</u>
Net assets at end of year	<u>\$ 91,430</u>	<u>\$ 250</u>	<u>\$ 91,680</u>	<u>\$ 56,698</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Statement of Functional Expenses - Modified Cash Basis

Year Ended September 30,

2008

Program Services

	<u>Maternal and Child Health Grant</u>	<u>Women, Infant, and Children Program</u>	<u>Community Health Clinic Grant</u>	<u>Dental Program</u>
Advertising	\$ 620	\$ -	\$ 1,204	\$ -
Assistance expense	-	-	-	-
Conferences	50	-	-	-
Contracted labor	-	-	-	25,220
Contracts	900	1,080	2,400	-
Depreciation	-	-	-	-
Dues	38	-	-	418
Insurance	3,516	287	1,684	-
Interest	-	-	-	-
Miscellaneous expense	6,701	-	-	-
Payroll taxes	9,106	2,275	14,423	166
Professional fees	3,875	2,000	2,000	-
Repairs and maintenance	2,946	50	2,696	-
Rent expense	-	-	8,000	-
Service charges	930	-	-	-
Service supplies	27,559	2,032	34,568	12,699
Supplies	10,595	464	5,516	-
Travel	356	155	-	-
Utilities	4,024	4,024	4,024	908
Wages	138,594	34,631	219,243	2,520
Occupancy expense	7,754	7,754	7,754	1,752
	<u>\$ 217,564</u>	<u>\$ 54,752</u>	<u>\$ 303,512</u>	<u>\$ 43,683</u>

<u>Family Assistance Program</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>2007 Total</u>
\$ -	\$ -	\$ 1,824	\$ 947
1,105	-	1,105	2,213
-	350	400	-
-	139	25,359	6,240
-	500	4,880	8,199
-	17,362	17,362	19,034
-	-	456	1,304
-	8,526	14,013	13,960
-	11,811	11,811	14,535
-	1,441	8,142	2,551
-	534	26,504	34,655
-	-	7,875	4,730
-	6,639	12,331	5,413
-	-	8,000	-
-	37	967	386
-	8,033	84,891	60,514
-	5,194	21,769	21,389
-	-	511	905
-	5,831	18,811	16,949
-	35,170	430,158	407,960
-	(25,014)	-	-
<u>\$ 1,105</u>	<u>\$ 76,553</u>	<u>\$ 697,169</u>	<u>\$ 621,884</u>

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Notes to Financial Statements

September 30, 2008

NOTE 1 - PURPOSE OF ORGANIZATION

The Community Health Intervention and Education Foundation, Inc. was created to provide a place where quality health services would be more comprehensive, affordable and accessible to area families.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting. This basis of accounting differs from generally accepted accounting principles primarily because the Organization has not recorded grants receivable from government agencies or accounts payable to vendors.

Basis of Presentation

The Organization follows Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated amounts are included.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Advertising Costs

Advertising costs are expensed as incurred.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulate time restriction

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Notes to Financial Statements - Continued

September 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor - restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for all assets. Depreciation expense for the year ended September 30, 2008 was \$17,362.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

In-Kind Support

The Organization records in-kind support for services volunteered from a doctor, a nurse, and a dental assistant of \$27,040 that would typically need to be purchased if not provided by donation. The Organization also records in-kind rent of \$2,000 for use of a building in Waveland, IN. The equipment in Waveland, IN belongs to an employee for the Organization and the rental value is not recorded because the value is unknown. The amount reflected in the accompanying financial statement as in-kind support and rent is offset by like amounts in management and general expenses.

NOTE 3 - FUNDS HELD IN TRUST BY OTHERS

The Organization has contributed a total of \$3,500 to the Parke County Community Foundation, Inc. to establish a fund to benefit the Community Health Intervention and Education Foundation, Inc.

The primary purpose of the designated endowment fund is to provide support to the Organization so that it may continue to provide quality health services to children and families in Parke County.

Subject to the right of the Parke County Community Foundation, Inc. to reject any particular gift, any person whether an individual, corporation, trust, estate or organization, including the Organization, may make additional gifts to the Foundation for the purpose of the Fund. All gifts are irrevocable once accepted by the Foundation. The Fund is not a separate trust. All money and property of the Fund is held as general assets of the Foundation. The Organization through the acceptance of the designated endowment agreements, has granted the board of

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Notes to Financial Statements - Continued

September 30, 2008

NOTE 3 - FUNDS HELD IN TRUST BY OTHERS - continued

directors of the Parke County Community Foundation, Inc. variance power. The variance power allows the Foundation to redirect the distributions from the established fund if in the judgment of the Foundation's Board of Directors, the conditions or restrictions of these agreements are unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Foundation. No distributions shall be made from these funds if it endangers the 501(c)(3) status of the Foundation.

NOTE 4 - FUNDS HELD ON BEHALF OF OTHERS

During 2008, the Parke County Health Department placed \$15,000 with the Organization to be dispersed for the Parke County Safehouse Project.

NOTE 5 - NOTES PAYABLE

At September 30, 2008, notes payable consisted of the following:

Line of credit for \$50,000 with a local financial institution, secured by equipment, interest payable monthly at 5%, due July, 2009.	\$ 49,382
Line of credit for \$26,000 with a local financial institution, secured by real estate, interest payable monthly at 4.00% due April, 2016.	<u>23,419</u>
	\$ <u>72,801</u>

Following are maturities of long-term debt for each of the next five years:

2009	\$ 49,382
2010	-
2011	-
2012	-
2013	-
Thereafter	<u>23,419</u>
	\$ <u>72,801</u>

NOTE 6 - MORTGAGE PAYABLE

At September 30, 2008, the Organization had a mortgage payable to a local financial institution, secured by real estate, in the amount of \$108,687. Principal and interest is due in monthly installments through August 2020. Interest is payable at prime rate, adjustable every third year beginning in August 2003. At September 30, 2008, the annual interest rate was 6.875% and the monthly installment was \$1,105.

The annual maturity of the mortgage for each of the next five years and in the aggregate is as follows:

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Notes to Financial Statements - Continued

September 30, 2008

NOTE 6 - MORTGAGE PAYABLE - continued

2009	\$	5,977
2010		6,401
2011		6,855
2012		7,341
2013		7,863
Thereafter		<u>74,250</u>
	\$	<u>108,687</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2008, the balance of temporarily restricted net assets consists of cash for the following programs:

Family Assistance Program	\$	250
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NOTE 8 - DETAIL OF FEDERAL GRANTS AND CONTRACTS

Federal awards and grants consist of the following for the year ended September 30, 2008:

Department of Health & Human Services; Passed through Indiana State Department of Health: Maternal and Child Health Services Grant	\$	55,860
Department of Agriculture, Food and Nutrition Services; Passed through Indiana State Department of Health: Women, Infants and Children Program		<u>50,671</u>
	\$	<u>106,531</u>

NOTE 9 - DETAIL OF STATE AND LOCAL GRANTS

State and local grants consist of the following for the year ended September 30, 2008:

Family Assistance Program	\$	1,255
State of Indiana; Community Health Clinic Grant		<u>310,330</u>
	\$	<u>311,585</u>

NOTE 10 - RENT INCOME

The Organization leases office space to several organizations on a month-to-month basis. The rental income under these agreements for 2008 was \$3,145.

**COMMUNITY HEALTH INTERVENTION
AND EDUCATION FOUNDATION, INC.**

Notes to Financial Statements - Continued

September 30, 2008

NOTE 11 - OPERATING LEASES

The Organization leases office space for the Waveland, Indiana location for \$500 a month. Rent expense for 2008 was \$8,000. The lease expires in February 2009.

NOTE 12 - INCOME TAXES

The Community Health Intervention and Education Foundation, Inc. is a wholly-exempt not-for-profit organization in accordance with the Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state income taxes has been reflected in the financial statements.

NOTE 13 - CONCENTRATIONS

Approximately 57% of the Organization's support and revenue was provided by federal, state, and local grants and contracts.

Board of Directors
Community Health Intervention and
Education Foundation, Inc.
Rockville, Indiana

In planning and performing our audit of the financial statements of Community Health Intervention and Education Foundation, Inc. as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Community Health Intervention and Education Foundation, Inc.'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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or 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 the modified cash basis of accounting 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 following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

An effective system of internal accounting control should have an adequate segregation of duties among employees. Segregation of duties is difficult with a small number of office employees. However, we believe that it is important that management be aware that due to the limited segregation of duties, there is a greater risk of errors and irregularities not being discovered.

General Ledger

The following was noted in the current year, as well as the prior year regarding your general ledger during the audit:

1. Income and expense transactions should be posted consistently throughout the year.

2. Expenses should be coded to the proper accounts regardless of the grant the expense is being paid from. For examples, utilities should always be coded to utilities expense on the general ledger, supplies to supplies, etc. Posting to the general ledger is separate from completing the claim voucher for the grant.
3. Check numbers per the general ledger do not agree to the date and check number on the bank statement. Check numbers need to agree.

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 entity's internal control. We believe that the following deficiencies constitute material weaknesses:

OMB Circular A-122

In the current year, as well as the prior year we noted Community Health Intervention and Education Foundation, Inc. does not comply with the cost allocation principles set forth in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The organization's grants require that these principles be followed. These guidelines require the organization to adopt a method to allocate indirect costs as well as to charge actual occupancy expenses to the grants rather than rent expense. Noncompliance creates the potential liability for repayment of grant money.

Expenses

In the current year, as well as the prior year we noted most invoices are paid on-line through an accounting firm. The accounting firm authorizes some invoices, pays invoices and reconciles the bank account. The bank statements need to be reviewed by management to provide accurate internal controls.

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.

Sacksteder & Company, Inc.