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June 24, 2009

Board of Directors
Montgomery County
A.H.E.A.D. Coalition, Inc.
118 N. Green Street
Crawfordsville, IN 47933

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Montgomery County A.H.E.A.D. Coalition, 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. Pages 10 and 11 contain one current audit finding.

STATE BOARD OF ACCOUNTS

**MONTGOMERY COUNTY
A.H.E.A.D. COALITION, INC.**

FINANCIAL STATEMENTS

Year Ended December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

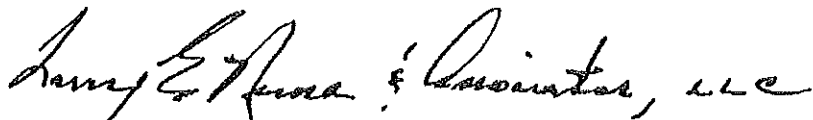
Board of Directors
Montgomery County A.H.E.A.D. Coalition, Inc.
Crawfordsville, Indiana

We have audited the accompanying statement of financial position of Montgomery County A.H.E.A.D. Coalition, Inc. (a nonprofit Association) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County A.H.E.A.D. Coalition, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year 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 December 18, 2008, on our consideration of Montgomery County A.H.E.A.D. Coalition, Inc.'s internal control over financial reporting and on 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.



Plainfield, Indiana
December 18, 2008

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007

	Unrestricted	Temporarily Restricted	Totals
ASSETS			
Cash and cash equivalents	\$ 106,178	\$ 6,237	\$ 112,415
Accounts receivable	520	-	520
Grants receivable	14,724	-	14,724
Property and equipment, net	17,986	-	17,986
Other current assets	2,214	-	2,214
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 141,622</u>	<u>\$ 6,237</u>	<u>\$ 147,859</u>
 LIABILITIES			
Accounts payable	\$ 4,606	\$ -	\$ 4,606
Accrued wages	7,938	-	7,938
Deferred income	57,780	-	57,780
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>70,324</u>	<u>-</u>	<u>70,324</u>
 NET ASSETS			
Unrestricted	71,298	-	71,298
Temporarily restricted	-	6,237	6,237
	<hr/>	<hr/>	<hr/>
Total Net Assests	<u>71,298</u>	<u>6,237</u>	<u>77,535</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 141,622</u>	<u>\$ 6,237</u>	<u>\$ 147,859</u>

See accompanying notes to financial statements and independent auditor's opinion.

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
STATEMENTS OF ACTIVITIES
For the Year ended December 31, 2007

	Unrestricted	Temporarily Restricted	Totals
REVENUES			
Public support			
Federal	\$ 102,404	\$ -	\$ 102,404
State	83,437	-	83,437
Local	17,561	-	17,561
Grants	34,642	8,000	42,642
Contributions	4,345	-	4,345
Interest income	443	-	443
Other	1,961	-	1,961
Assets released from restrictions	14,751	(14,751)	-
	<u>259,544</u>	<u>(6,751)</u>	<u>252,793</u>
Total Revenues			
EXPENSES			
Salaries	105,658	-	105,658
Payroll taxes and benefits	15,351	-	15,351
Total personnel costs	121,009	-	121,009
Depreciation	5,467	-	5,467
Evaluation	16,228	-	16,228
Food and beverage	2,531	-	2,531
Grant and contract	31,207	-	31,207
Insurance	2,340	-	2,340
Marketing	19,936	-	19,936
Membership dues	524	-	524
Miscellaneous	792	-	792
Occupancy	14,720	-	14,720
Postage, mailing and printing	7,399	-	7,399
Professional fees	8,896	-	8,896
Supplies	31,196	-	31,196
Telephone and communications	3,460	-	3,460
Travel	15,129	-	15,129
	<u>280,834</u>	<u>-</u>	<u>280,834</u>
Total Expenses			
Change in Net Assets	(21,290)	(6,751)	(28,041)
NET ASSETS - beginning of year, as restated	<u>92,588</u>	<u>12,988</u>	<u>105,576</u>
NET ASSETS - end of year	<u>\$ 71,298</u>	<u>\$ 6,237</u>	<u>\$ 77,535</u>

See accompanying notes to financial statements and independent auditor's report.

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

OPERATING ACTIVITIES

Change in net assets	\$ (28,041)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,467
Decrease in:	
Accounts and grants receivable	7,950
Other current assets	255
Increase (Decrease) in:	
Accounts payable	(2,042)
Accrued wages	147
Deferred revenues	<u>9,658</u>
Net Cash Used by Operating Activities	<u>(6,606)</u>

INVESTING ACTIVITIES

Purchase of equipment	<u>(4,000)</u>
Net Cash Used by Investing Activities	<u>(4,000)</u>

NET DECREASE IN CASH

(10,606)

CASH AND CASH EQUIVALENTS - beginning of year

123,021

CASH AND CASH EQUIVALENTS - end of year

\$ 112,415

See accompanying notes to financial statements and independent auditor's report.

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Montgomery County A.H.E.A.D. Coalition, Inc. (AHEAD) began in 1990 as the Local Coordinating Council for the Governor's Commission for a Drug-Free Indiana. They were incorporated as an Indiana corporation on August 25, 2000. Through networking with numerous state and national prevention resources, AHEAD has established a variety of local programs that have proven effective in substance abuse prevention, intervention, and enforcement in Montgomery County, Indiana.

Program Services – Grant revenues are recorded as earned and the grant expenses are recognized when incurred for a grant-related obligation. Public education and advocacy services are provided based on the five identified substances of concern (tobacco, alcohol, marijuana, methamphetamine, and prescription drugs). The following program initiatives are included in the accompanying financial statements:

Clean Air Task Force – The Task Force focuses on tobacco prevention and cessation.

Prescription Drug Abuse Prevention Task Force – The primary focus of the Task Force is in raising awareness on the risks of abusing prescription drugs. The Task Force includes pharmacists, doctors, law enforcement officers and other interested community members.

VOICE – VOICE is a youth-led movement against big tobacco companies to get them to stop targeting teens to use tobacco. Youth must be 12-18 to participate. There are several groups within the Montgomery County area. The youth plan events to get the word out to other kids on a local, state, and national level.

Recovery support services – AHEAD sees recovery support as an integral part of drug prevention and provides resources and activities to support individuals and families dealing with recovery issues.

Social marketing strategies – AHEAD works with a variety of community partners such as schools, businesses, faith organizations, and community groups to support drug prevention efforts. In addition, AHEAD uses a number of social marketing strategies to raise public awareness about the risks associated with drug use and how to increase protective factors to reduce the devastating impact it can have on individuals, families, and the community as a whole.

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies

Estimates - The presentation of financial statements are in conformity with generally accepted accounting principles, which 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 and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - The Coalition follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Coalitions," and SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 117, the Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. AHEAD does not have any temporarily or permanently restricted net assets as of December 31, 2007.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Coalition considers investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Allowance For Doubtful Accounts -- The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. At December 31, 2007, management estimated that no allowance was needed.

Contributions -- In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value. AHEAD does not have any contributions that were temporarily or permanently restricted as of December 31, 2007.

Federal Income Tax -- The Coalition is exempt from Income Tax under Internal Revenue Code Section 501 (c) (3). However a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year.

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT CONTRACTUAL AND ACCOUNTING POLICIES (continued)

Furniture and Equipment – Purchases of furniture and equipment in excess of \$500 are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received and depreciated on a straight-line basis over the estimated useful lives of the assets which range from 5 to 10 years. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the change in net assets. Repair and maintenance charges that do not increase the useful lives of the assets are charged to the change in net assets as incurred.

Statement of Cash Flows – The indirect method is used to report cash flows from operating activities.

Functional Expenses – Expenses are charged to program, administrative, or fundraising based on a combination of specific identification, allocation by management and as allowed by specific grant agreements.

Note 2 – CASH IN EXCESS OF FDIC LIMIT

AHEAD maintains bank accounts which periodically exceed the FDIC guarantee limit during the year. At December 31, 2007, AHEAD had bank accounts which were in excess of the FDIC limit by approximately \$17,650.

Note 3 – GRANTS RECEIVABLE

As of December 31, 2007 the grants receivable consisted of the following:

SAMHSA Drug Free Community	\$ <u>14,724</u>
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Note 4 – DEFERRED REVENUES

As of December 31, 2007 the deferred revenues consisted of the following:

Tobacco Free Living	\$ 13,536
VOICE	<u>44,244</u>
	\$ <u>57,780</u>

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 5 – IN-KIND DONATIONS AND VOLUNTEER SERVICES

In addition to revenues and expenses reflected in the accompanying financial statements, the Agency has significant in-kind services rendered by volunteers to assist in raising community awareness around drug prevention issues. These services include public speaking, project management, and advocacy. In addition, the Coalition also receives in-kind donations of media resources in the form of newspaper articles and radio public service announcements. These are key supports to AHEAD in order to more effectively reach a large segment of the community.

These amounts are not reflected in the statement of activities as they do not qualify for recognition under SFAS No. 116.

Note 6 – OFFICE FACILITIES AND OPERATING LEASE

The use of AHEAD's main office facilities have been provided through a rent agreement with Richard and Patricia Bennett. There is no formal rental agreement, however, the monthly rent is \$750, which is included in occupancy expenses, and does not include utilities.

Note 7 – PRIOR PERIOD ADJUSTMENTS

As of December 31, 2006, the net assets have been restated in order to recognize grants receivable, deferred revenues and temporarily restricted net assets on the accrual basis of accounting in accordance with various grant agreements. The net assets have been restated as of December 31, 2006 as follows:

	Unrestricted	Temporarily Restricted
Net assets at December 31, 2006, as originally reported	\$ 137,189	\$ -
Recognize grants receivable at December 31, 2006	6,609	-
Recognized deferred revenues at December 31, 2006	(38,222)	-
Recognize temporarily restricted net assets at December 31, 2007	<u>(12,988)</u>	<u>12,988</u>
Net assets at December 31, 2006, as restated	\$ <u>92,588</u>	\$ <u>12,988</u>

MONTGOMERY COUNTY A.H.E.A.D. COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 8 – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2007 temporarily restricted net assets consisted of the following:

Montgomery County Community Foundation	\$ 3,142
Montgomery United Fund For You	<u>3,095</u>
	<u>\$ 6,237</u>

Note 9 – FUNCTIONAL EXPENSES

AHEAD provides a variety of local programs that have proven effective in substance abuse prevention, intervention, and enforcement. Expenses related to providing these services for the year ended December 31, 2007 were as follows:

Program services	\$ 271,003
General and administrative	<u>9,831</u>
Totals	<u>\$ 280,834</u>

Note 10 - EXISTENCE OF CONCENTRATION IN SUPPORT RECEIVED

AHEAD received approximately 33%, 39% and 12% of its support from the State of Indiana, Federal programs and a local grant during 2007, respectively. These funding sources represent 100% of the December 31, 2007 grants receivable. In the event that this support were to be eliminated, it is likely that AHEAD would need to reduce its current operations. With the exception of the local grant, which concluded in 2007, AHEAD does not expect in any way that the support from these sources will be lost in the near term.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Directors
Montgomery County A.H.E.A.D. Coalition, Inc.
Crawfordsville, Indiana

We have audited the financial statements of Montgomery County A.H.E.A.D. Coalition, Inc. (a nonprofit organization) as of and for the year ended December 31, 2007 and have issued our report thereon dated December 18, 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 Montgomery County A.H.E.A.D. Coalition, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a control deficiency. Control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Indiana Montgomery County A.H.E.A.D. Coalition, Inc.'s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The control deficiency is inadequate segregation of duties consistent with appropriate control objectives.

- Inadequate segregation of duties consistent with appropriate control objectives.
- Montgomery County A.H.E.A.D. Coalition, Inc. does not have individuals who possess the qualifications and training necessary in order to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements.

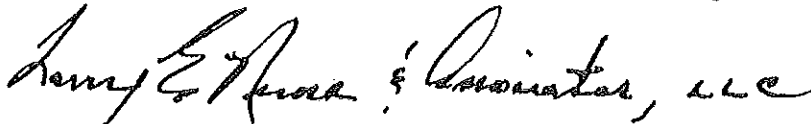
A material weakness is a control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the control deficiency described regarding inadequate segregation of duties is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the finance committee, management, Board of Directors, 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.



Plainfield, Indiana
December 18, 2008