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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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June 30, 2009

Board of Directors
Noble, Inc.
7701 E. 21st St.
Indianapolis, IN 46219

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 Noble, Inc., 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.

STATE BOARD OF ACCOUNTS

Noble, Inc.

Accountants' Report and Financial Statements

June 30, 2008 and 2007

Noble, Inc.
June 30, 2008 and 2007

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Noble, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Noble, Inc. (Noble) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Noble'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 Noble, Inc. 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 October 20, 2008, on our consideration of Noble'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.

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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

October 20, 2008

Noble, Inc.

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Accounts receivable, net of allowance (Note 3)	$ 1,486,366	$ 1,500,797
Contributions receivable, net of allowance (Note 4)	550,543	515,792
Investments (Note 5)	5,652,793	6,530,503
Prepaid expenses and other assets	184,837	192,191
Property and equipment, net (Note 6)	2,286,902	2,933,784
Total assets	$ 10,161,441	$ 11,673,067
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses (Note 9)	$ 369,845	$ 379,375
Salaries and benefits payable	261,878	551,908
Notes payable - bank line of credit (Note 7)	2,079,601	2,005,804
Long-term debt (Note 8)	355,698	737,286
Total liabilities	3,067,022	3,674,373
Net Assets		
Unrestricted	5,055,493	6,068,834
Temporarily restricted (Note 10)	968,336	859,270
Permanently restricted (Note 10)	1,070,590	1,070,590
Total net assets	7,094,419	7,998,694
Total liabilities and net assets	$ 10,161,441	$ 11,673,067

Noble, Inc.

Statements of Activities
Years Ended June 30, 2008 and 2007

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Public support				
Contributions	$ 654,095	$ 394,913	$ -	$ 1,049,008
United Way of Central Indiana	574,337	-	-	574,337
Service revenue from government agencies	4,418,651	-	-	4,418,651
Grants from local government agencies	1,050,012	-	-	1,050,012
Other revenue				
Program fees (individual and third party)	66,010	-	-	66,010
Group home income	1,940,219	-	-	1,940,219
Contract and sales income	1,686,950	-	-	1,686,950
Interest and dividends (Note 5)	174,080	10,983	-	185,063
Miscellaneous	9,509	-	-	9,509
	10,573,863	405,896	-	10,979,759
Net assets released from restrictions	240,770	(240,770)	-	-
Total revenues and other support	10,814,633	165,126	-	10,979,759
Expenses				
Children's services	1,129,625	-	-	1,129,625
Adult developmental services	3,320,133	-	-	3,320,133
Noble Industries	3,446,188	-	-	3,446,188
Supported employment	838,121	-	-	838,121
Communitas	207,520	-	-	207,520
Total program expenses	8,941,587	-	-	8,941,587
Management and general	1,448,507	-	-	1,448,507
Fund raising	541,735	-	-	541,735
Total expenses	10,931,829	-	-	10,931,829
Change in Net Assets From Operations	(117,196)	165,126	-	47,930
Provision for uncollectible contributions receivable	-	(35,677)	-	(35,677)
Net realized gains on investments (Note 5)	457,065	27,149	-	484,214
Net unrealized gains (losses) on investments (Note 5)	(798,788)	(47,532)	-	(846,320)
Change in Net Assets From Continuing Operations	(458,919)	109,066	-	(349,853)
Discontinued Operations				
Loss from discontinued operations (including loss on disposal in 2008 of $114,520) (Note 2)	(554,422)	-	-	(554,422)
Change in Net Assets	(1,013,341)	109,066	-	(904,275)
Net Assets, Beginning of Year	6,068,834	859,270	1,070,590	7,998,694
Net Assets, End of Year	$ 5,055,493	$ 968,336	$ 1,070,590	$ 7,094,419

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,131,686	$ 320,718	$ 11,051	$ 1,463,455
485,176	-	-	485,176
4,197,244	-	-	4,197,244
1,024,988	-	-	1,024,988
70,041	-	-	70,041
1,836,374	-	-	1,836,374
1,601,226	-	-	1,601,226
144,363	33,097	-	177,460
12,580	-	-	12,580
10,503,678	353,815	11,051	10,868,544
342,900	(342,900)	-	-
10,846,578	10,915	11,051	10,868,544
975,004	-	-	975,004
2,934,954	-	-	2,934,954
3,721,337	-	-	3,721,337
1,010,173	-	-	1,010,173
497,086	-	-	497,086
9,138,554	-	-	9,138,554
1,567,713	-	-	1,567,713
578,035	-	-	578,035
11,284,302	-	-	11,284,302
(437,724)	10,915	11,051	(415,758)
-	(4,553)	-	(4,553)
295,418	66,870	-	362,288
199,157	40,088	-	239,245
56,851	113,320	11,051	181,222
(133,348)	-	-	(133,348)
(76,497)	113,320	11,051	47,874
6,145,331	745,950	1,059,539	7,950,820
$ 6,068,834	$ 859,270	$ 1,070,590	$ 7,998,694

Noble, Inc.

Statement of Functional Expenses
Year Ended June 30, 2008

	Children's Services	Adult Developmental Services	Noble Industries	Supported Employment	Communitas	Total Program Expense	Management and General	Fund Raising	Total Expenses
Salaries and wages	$ 547,514	$ 1,833,772	$ 2,003,263	$ 554,749	$ 124,883	$ 5,064,181	$ 724,232	$ 269,364	$ 6,057,777
Benefits	98,480	442,106	358,070	102,611	31,539	1,032,806	168,150	63,457	1,264,413
Total salaries, wages and related expenses	645,994	2,275,878	2,361,333	657,360	156,422	6,096,987	892,382	332,821	7,322,190
Contracts and professional fees	142,639	42,533	41,178	17,828	3,836	248,014	153,534	19,567	421,115
Client transportation fees	-	108,885	148,419	21,672	-	278,976	-	-	278,976
Supplies	13,425	46,722	99,586	5,339	1,263	166,335	18,964	2,827	188,126
Telephone	8,768	28,020	19,604	16,966	4,222	77,580	16,948	2,885	97,413
Postage and freight	1,691	570	18,669	406	16	21,352	3,978	7,171	32,501
Occupancy	52,771	343,906	170,922	11,053	17,662	596,314	68,170	23,956	688,440
Printing and publications	64	380	47	81	-	572	4,162	2,047	6,781
Vehicle expense	-	42,145	68,083	-	-	110,228	24,514	-	134,742
Staff travel	28,101	7,743	5,920	33,831	2,053	77,648	4,252	2,021	83,921
Conferences and meetings	1,845	10,557	1,254	1,244	-	14,900	5,782	1,502	22,184
Interest expense	17,616	53,080	52,139	14,050	3,929	140,814	-	8,866	149,680
Client support	500	12	10	869	-	1,391	-	-	1,391
Client activities	127,624	1,161	5,882	-	-	134,667	-	-	134,667
Insurance	2,975	22,950	25,501	5,100	1,139	57,665	24,915	712	83,292
Bad debt expense	40,085	37,606	53,917	5,095	-	136,703	-	-	136,703
Visibility and awareness	34,120	102,934	101,344	34,947	7,605	280,950	5,847	115,814	402,611
Sales and marketing	-	-	154,855	-	-	154,855	-	-	154,855
Miscellaneous	109	401	246	641	50	1,447	97,769	6,023	105,239
Expenses before depreciation expense	1,118,327	3,125,483	3,328,909	826,482	198,197	8,597,398	1,321,217	526,212	10,444,827
Depreciation	11,298	194,650	117,279	11,639	9,323	344,189	127,290	15,523	487,002
Totals	$ 1,129,625	$ 3,320,133	$ 3,446,188	$ 838,121	$ 207,520	$ 8,941,587	$ 1,448,507	$ 541,735	$ 10,931,829

See Notes to Financial Statements

Noble, Inc.

Statement of Functional Expenses
Year Ended June 30, 2007

	Children's Services	Adult Developmental Services	Noble Industries	Supported Employment	Communitas	Total Program Expense	Management and General	Fund Raising	Total Expenses
Salaries and wages	$ 430,273	$ 1,523,601	$ 2,175,336	$ 665,508	$ 301,422	$ 5,096,140	$ 827,420	$ 293,771	$ 6,217,331
Benefits	71,152	355,654	394,492	127,308	59,284	1,007,890	218,427	64,293	1,290,610
Total salaries, wages and related expenses	501,425	1,879,255	2,569,828	792,816	360,706	6,104,030	1,045,847	358,064	7,507,941
Contracts and professional fees	196,587	57,979	89,505	26,247	4,456	374,774	171,422	14,135	560,331
Client transportation fees	-	112,519	147,826	19,984	644	280,973	-	-	280,973
Supplies	7,856	43,138	90,264	6,792	1,734	149,784	21,202	2,019	173,005
Telephone	8,153	35,276	18,138	15,436	7,492	84,495	17,283	2,274	104,052
Postage and freight	1,713	366	14,065	354	141	16,639	4,331	6,499	27,469
Occupancy	44,570	320,117	169,337	24,510	47,918	606,452	62,796	8,144	677,392
Printing and publications	275	606	972	163	-	2,016	2,925	765	5,706
Vehicle expense	-	53,334	67,605	-	-	120,939	15,397	-	136,336
Staff travel	11,967	7,172	4,426	35,398	6,850	65,813	4,464	1,849	72,126
Conferences and meetings	1,038	834	693	2,380	655	5,600	10,863	16,587	33,050
Interest expense	19,425	55,757	69,820	20,169	9,617	174,788	-	11,430	186,218
Client support	500	27	115	332	-	974	-	-	974
Client activities	100,617	1,124	5,815	8	225	107,789	-	-	107,789
Insurance	3,264	33,495	25,360	5,433	1,707	69,259	23,417	1,375	94,051
Bad debt expense	24,965	34,538	43,405	4,656	-	107,564	-	4,802	112,366
Visibility and awareness	33,528	96,420	120,871	35,115	16,619	302,553	8,227	129,628	440,408
Sales and marketing	-	-	142,181	-	-	142,181	-	-	142,181
Miscellaneous	228	8	262	682	-	1,180	102,293	4,748	108,221
Expenses before depreciation expense	956,111	2,731,965	3,580,488	990,475	458,764	8,717,803	1,490,467	562,319	10,770,589
Depreciation	18,893	202,989	140,849	19,698	38,322	420,751	77,246	15,716	513,713
Totals	$ 975,004	$ 2,934,954	$ 3,721,337	$ 1,010,173	$ 497,086	$ 9,138,554	$ 1,567,713	$ 578,035	$ 11,284,302

See Notes to Financial Statements

Noble, Inc.

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

	2008	2007
Operating Activities		
Change in net assets from continuing operations	$ (904,275)	$ 47,874
Items not requiring (providing) cash		
Depreciation	527,483	526,073
Net realized and unrealized (gains) loss on investments	362,106	(601,533)
Loss on disposition of assets	114,520	-
Changes in		
Accounts receivable	14,431	210,553
Contributions receivable	(34,751)	186,425
Prepaid expenses and other assets	7,354	(11,327)
Accounts payable and accrued expenses	(9,530)	119,493
Salaries and benefits payable	(290,030)	(36,869)
Net cash provided by (used in) operating activities	(212,692)	440,689
Investing Activities		
Purchase of property and equipment	(106,586)	(755,376)
Proceeds from sale of assets	111,465	-
Purchase of investments	(1,593,998)	(1,495,799)
Proceeds from disposition of investments	2,109,602	1,573,826
Net cash provided by (used in) investing activities	520,483	(677,349)
Financing Activities		
Principle payments under capital lease obligation	(300,611)	(44,982)
Net change in borrowings under lines of credit	73,797	351,803
Payments on bond principal	(80,977)	(82,477)
Net cash provided by (used in) financing activities	(307,791)	224,344
Decrease in Cash and Cash Equivalents	-	(12,316)
Cash and Cash Equivalents, Beginning of Year	-	12,316
Cash and Cash Equivalents, End of Year	$ -	$ -
Supplemental Cash Flows Information		
Interest paid	$ 188,165	$ 197,846
Capital lease obligation incurred for equipment	-	255,038

Noble, Inc.

Notes to Financial Statements
June 30, 2008 and 2007

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

Nature of Operations

Noble, Inc. (d/b/a Noble of Indiana), founded and incorporated in 1953 as Noble School, is a charitable organization serving children with developmental delays, adults with developmental disabilities and their families. Today, Noble of Indiana helps central Indiana residents with disabilities pursue meaningful lives through therapeutic treatments and innovative vocational and life skills training.

In July 1987, through reorganization, Noble of Indiana was incorporated as a not-for-profit organization. Noble of Indiana and its affiliate organizations' (collectively "Noble") mission is to create opportunities for people with developmental disabilities to live meaningful lives. Noble's primary sources of revenue and support include purchase of service contracts with the State of Indiana along with grants, programs service fees and contributions.

Noble of Indiana's programs include Children's Services, which provide community-based early intervention services for children from birth to age three with - or at risk of - developmental delays and support for their families. Adult Developmental Services include skills training for adults with developmental disabilities in social, vocational and recreational programming, emphasizing person-centered planning. Noble Industries programs focus on skills training and employment in both sheltered and community based work settings. The Supported Employment programs assist employers in hiring people with developmental disabilities and high school students with disabilities to cultivate marketable job skills. Communitas is a service that focuses on self-determination and community involvement in all aspects of life for individuals with developmental disabilities; creating partnerships with community organizations and businesses to expand community involvement and support for individuals with disabilities.

During 2002, Noble initiated "A Noble Campaign: Building Lives, Building Families". The campaign raised program operating funds for Noble's Communitas service and endowment funds for Noble's Center for Family Leadership. The Center for Family Leadership assists families raising children with developmental disabilities by linking them to family mentors and other resources. The mentors, trained and experienced in raising children with disabilities, provide support to other families through relationships, education, encouragement and inspiration.

In April 2007, Noble commenced a Business Enterprise operation to provide financial support for Noble's core programs. A 40,000 square foot building on Guion Road was leased for three years, and equipment of $255,000 was acquired and financed by a four-year capital lease. These operations were discontinued on April 23, 2008. See Note 2 for further disclosures.

Use of Estimates

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

Cash Equivalents

Noble considers all liquid investments with original maturities of three months or less (excluding cash equivalents managed by outside investment firms) to be cash equivalents. At June 30, 2008 and 2007, cash equivalents consisted primarily of money market funds and certificates of deposit.

Investments and Investment Return

Investments in equity securities having a readily determinable fair market value and all debt securities are carried at fair market value. Investment return includes dividends, interest, realized gains and losses and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Noble has significant investments in stock, bonds and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by Noble and the investments are monitored by Noble. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of Noble.

Accounts Receivable and Service Revenue From Government Agencies

Noble provides services for adults and children with developmental disabilities, where reimbursement for services are funded and controlled by agencies of the State of Indiana. Noble's billings are subject to review by the agencies and availability of program funds. As a result of these reviews, adjustments to billing and revenue may be required and are recorded in the period the State requests the adjustment. Management believes such adjustments, if required, will not have a material adverse impact on Noble's financial condition.

Accounts receivable are stated at the amount billed to the various funding sources. Noble provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Property and Equipment

Property and equipment are depreciated on the straight-line basis over the estimated useful life of each asset. Noble provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	Years
Furniture and equipment	5 - 7
Leasehold improvements	15
Buildings and building improvements	33 ½

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Noble has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Noble in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as temporarily or permanently restricted revenue and net assets.

Income Taxes

Noble is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Noble would be subject to federal income tax on any unrelated business taxable income.

Noble, Inc.

Notes to Financial Statements
June 30, 2008 and 2007

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the actual expenditures and cost allocations estimated by Noble's personnel.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Discontinued Operations

On April 23, 2008, Noble discontinued the operations of the Business Enterprise program. Equipment acquired under a capital lease was sold for a loss on disposal of $114,520. The capital lease was paid off in April 2008. The operating lease was terminated and a termination fee of $43,100 was paid. Revenue was $493,319 in 2008 and $140,369 in 2007. 2007 operations have been reclassified to include all revenues and expenses of the Business Enterprise program in discontinued operations.

Note 3: Accounts Receivable

Accounts receivable at June 30, 2008 and 2007 consist of the following:

	2008	2007
Government agencies - service revenue	$ 723,168	$ 538,522
Government agencies - grants	-	262,488
Group home income	444,916	320,939
Contract revenue	396,997	425,370
Other	84,863	106,162
Allowance for uncollectible accounts	(163,578)	(152,684)
	$ 1,486,366	$ 1,500,797

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	2008		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	$ 437,037	$ -	$ 437,037
Due in one to five years	234,564	-	234,564
Due in six to ten years	8,000	-	8,000
	679,601	-	679,601
Less:			
Allowance for uncollectible contributions	(102,881)	-	(102,881)
Unamortized discount	(26,177)	-	(26,177)
	$ 550,543	$ -	$ 550,543

	2007		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	$ 225,077	$ 100,000	$ 325,077
Due in one to five years	284,778	-	284,778
	509,855	100,000	609,855
Less:			
Allowance for uncollectible contributions	(67,204)	-	(67,204)
Unamortized discount	(26,859)	-	(26,859)
	$ 415,792	$ 100,000	$ 515,792

Discount rates ranged from 3.16% to 5.18% for 2008 and 2007.

Note 5: Investments

Investments at June 30 consisted of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 211,450	$ 211,450	$ 71,810	$ 71,810
U. S. Government securities	646,664	657,392	613,818	603,124
Corporate bonds	653,814	649,300	397,469	385,617
Mutual funds	3,213,902	3,405,350	3,596,917	4,478,010
Common stocks	405,478	455,014	482,684	643,802
Preferred stocks	13,000	13,068	13,000	11,882
Alternative investments - private equity funds	300,000	261,219	300,000	336,258
	$ 5,444,308	$ 5,652,793	$ 5,475,698	$ 6,530,503

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30:

	2008		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 174,080	$ 10,983	$ 185,063
Net realized gain on investments	457,065	27,149	484,214
Net unrealized gain on investments	(798,788)	(47,532)	(846,320)
Total return on investments	$ (167,643)	$ (9,400)	$ (177,043)

	2007		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 144,363	$ 33,097	$ 177,460
Net realized gain on investments	295,418	66,870	362,288
Net unrealized gain on investments	199,157	40,088	239,245
Total return on investments	$ 638,938	$ 140,055	$ 778,993

Note 6: Property and Equipment

Property and equipment at June 30 consists of:

	2008	2007
Land	$ 157,003	$ 157,003
Land improvements	79,697	79,697
Building - Noble Industries	1,115,171	1,113,776
Building - Noble Adult Centers	4,006,790	3,973,999
Equipment	3,320,312	3,511,232
	8,678,973	8,835,707
Less accumulated depreciation	(6,392,071)	(5,901,923)
	$ 2,286,902	$ 2,933,784

Note 7: Lines of Credit

Borrowings under Noble's lines of credit at June 30 consist of:

	2008	2007
Line of credit (A)	$ 2,079,601	$ 2,005,804

(A) As of June 30, 2008, Noble has a $2,500,000 line of credit with a local financial institution, which expires October 31, 2008, and is collateralized by Noble's investments. Interest is charged at the bank's prime rate less .50% (4.50% and 7.75% at June 30, 2008 and 2007, respectively).

Advances to Noble are dependent upon maintaining satisfactory financial position, as defined in the credit agreement, which includes certain covenants.

Subsequent to year end, Noble is finalizing new financing arrangements with a local financial institution. These proposed new arrangements will result in the elimination of the $2,500,000 line of credit discussed above and when finalized, will be replaced by a $1,950,000 mortgage agreement at 6.5% and a new $1,000,000 line of credit at the bank's prime rate less .25%. The long-term debt, excluding the capital lease, will also be paid off in this proposed financing arrangement.

Note 8: Long-Term Debt

In August 2000, through the Indiana Development Finance Authority, Noble issued $700,000 of Economic Development Revenue Bonds, Series 2000. The loan agreement prohibits the sale of assets and also contains covenants, which require Noble to meet, among other things, a cash flow coverage ratio. The bonds bear interest, payable monthly, at an annual rate of 7.45%. The bonds mature on January 1, 2011. The balance was $214,359 and $294,719 at June 30, 2008 and 2007, respectively. As discussed in Note 7, the proposed financing arrangement will include repayment in full of the long-term debt.

In 2006, Noble signed a capital lease which expires in 2011 for a new phone system. Under the terms of the lease, Noble is required to make monthly payments of $6,231.

In June 2007, Noble of Indiana entered into a capital lease agreement with Chase Bank, N.A. for the financing of the shrink wrapping equipment at the Guion Road facility. The capital lease was terminated in April 2008 with the discontinued operations as discussed in Note 2.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at June 30, 2008, are:

	Long-Term Debt (Excluding Leases)	Capital Lease Obligations	Total
2009	$ 86,929	$ 59,622	$ 146,551
2010	93,631	59,622	153,253
2011	33,799	34,779	68,578
	$ 214,359	154,023	368,382
Less amount representing interest		(12,684)	(12,684)
Present value of future minimum lease payments		$ 141,339	$ 355,698

Property and equipment include the following property under capital leases at June 30, 2008:

	2008	2007
Equipment	$ 263,530	$ 425,620
Less accumulated depreciation	(114,196)	(65,076)
	$ 149,334	$ 360,544

Noble, Inc.

Notes to Financial Statements
June 30, 2008 and 2007

Note 9: Annuities Payable

Noble has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair market value. Noble has recorded a liability at June 30, 2008 and 2007 of $74,415 and $83,151, which represents the present value of the future annuity obligations. This liability is included in accounts payable and other accrued expenses. The liability has been determined using discount rates of 6.0% to 12.2%.

Note 10: Net Assets

Temporarily Restricted Net Assets

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

	2008	2007
Communitas	$ -	$ 27,278
Other programs and time restrictions	968,336	831,992
	$ 968,336	$ 859,270

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2008	2007
Investment in perpetuity, the income of which is expendable to support		
Activities and services directed at enhancing a mother's ability to parent a child with disabilities	$ 1,035,579	$ 1,035,579
Other program activities	35,011	35,011
	$ 1,070,590	$ 1,070,590

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		
Communitas	$ -	$ 56,582
Other program expenses	74,976	51,767
Time restriction satisfied	165,794	234,551
	$ 240,770	$ 342,900

Note 11: Related Party Transactions

In the normal course of business, Noble enters into certain transactions with entities that are owned by or employ certain board members of Noble. During the years ended June 30, 2008 and 2007, Noble incurred expenses with related parties of approximately $339,000 and $408,000, respectively.

Note 12: Operating Leases

Noble has noncancellable operating leases for office equipment and buildings which expire in various years through November 2014. Rental expense included in the statements of activities was $357,161 and $363,125 for 2008 and 2007, respectively.

Future minimum lease payments at June 30 were:

2009	$ 227,424
2010	200,946
2011	202,983
2012	212,070
2013	185,315
Thereafter	126,537
	$ 1,155,275

Note 13: Pension Plan

Noble has a defined-contribution retirement plan for employees with at least one year of service and 21 years of age. Contributions are at the discretion of the Board. Employee benefit expense under this plan was $108,972 and $182,203 for 2008 and 2007, respectively. During 2003, Noble adopted changes to the plan that allow Noble to offset expenses with forfeitures. The plan forfeitures reduced the 2008 and 2007 expenses by $944 and $35,535, respectively.

For employees hired prior to November 1, 2001, benefits are 20% vested after three years of service, 40% vested after four years of service and fully vested after five years of service. Benefits for employees hired after October 31, 2001 are fully vested after five years of service. Benefits for employees hired after January 1, 2007 are fully vested after three years of service.

Note 14: Significant Estimates and Concentrations

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

Service Revenue

A significant portion of Noble's service revenue is provided by grants and contracts with the State of Indiana. Such revenue represented approximately 40% and 39% of total revenues for the years ended June 30, 2008 and 2007, respectively. Although the State of Indiana has not indicated reductions to the funding related to this revenue, Noble's operations could be negatively impacted if state budget cuts are extended to social services.

Commitments and Contingencies

Noble is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of Noble.

Supplementary Information

Noble, Inc.

Schedule of Governmental Awards
Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title/Grant Name	Federal CFDA Number	State Grant Number	Total Grant Amount	Grant Reimbursements Receivable, Beginning of Year	Receipts	Disbursements/ Expenditures	Grant Reimbursements Receivable, End of Year
U. S. Department of Health and Human Services							
Pass-through programs							
Indiana Family and Social Services Administration, Division of Disability, Aging and Rehabilitative Services							
Title XX Grant/Adult Day Services	93.667	49-04-3H-2630-04	N/A	$ 37,600	$ 670,492	$ 700,018	$ 67,126
Title XX Grant/OBRA Day Services	93.667	49-04-3H-2630-04	N/A	24,983	40,067	39,724	24,640
Indiana Family and Social Services Administration, Division of Disability, Aging and Rehabilitative Services							
Respite/Family Subsidy	N/A	49-04-56-2630-01	N/A	1,128	27,768	36,096	9,456
U. S. Department of Education Division of Exceptional Learners							
Pass-through programs							
Special Education Grant/Technical Assistance on State Data Collection	84.373		$ 87,560	10,418	21,571	11,153	-
U. S. Department of Education							
Pass-through programs							
Indiana Family and Social Services Administration, Minority Outreach	84.126A	49-07-VA-0365	100,250	4,352	5,473	31,496	30,375
U. S. Department of Education							
Pass-through programs							
Indiana Family and Social Services Administration, Vocational Rehabiliation Services (*)	84.126A	49-07-VA-0365	555,897	18,872	66,254	51,772	4,390
Indianapolis/Marion County City-County Council	N/A	N/A	1,050,012	262,488	1,312,500	1,050,012	-
School to Work							
Metropolitan School District of Pike Township Department of Special Education	N/A	N/A	51,772	46,920	67,500	43,080	22,500
Community Development Block Grant							
Department of Housing and Urban Development	14.218	N/A	200,000	104,336	216,235	144,481	32,582
			$ 2,045,491	$ 511,097	$ 2,427,860	$ 2,107,832	$ 191,069

* - This award is for a collaboration of three organizations. The total grant amount is not available to be spent by Noble alone.

Noble, Inc.

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

	Federal Agency/ Pass-through Entity	CFDA Number	Other Identifying Number	Amount
Title XX Grant/Social Services Block Grant/Adult Day Services and Physically Disabled Day Services	U. S. Department of Health and Human Services/State of Indiana/Division of Disability, Aging and Rehabilitative Services	93.667	49-04-3H-2630	$ 729,386
Vocation Rehabiliation Services	U. S. Department of Education/ State of Indiana/Division of Disability, Aging and Rehabilitative Services/Smart Partners Alliance, Inc.	84.126A	49-07-VA-0365	51,772
Vocation Rehabiliation Services	U. S. Department of Education/ State of Indiana/Division of Disability, Aging and Rehabilitative Services/Smart Partners Alliance, Inc./Arc of Indiana, Inc.	84.126A	49-07-VA-0365	31,496
Community Development Block Grant	U. S. Department of Housing and Urban Development/Consolidated City of Indianapolis	14.218		144,481
Special Education Grant/Technical Assistance on State Data Collection	U. S. Department of Education/Ball State University	84.373		11,153
				$ 968,288

Notes to Schedule

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

2. Of the federal expenditures presented in this schedule, Noble, Inc. provided no federal awards to subrecipients.

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
Noble, Inc.
Indianapolis, Indiana

We have audited the financial statements of Noble, Inc. (Noble) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 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 Noble'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 Noble's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Noble's internal control over financial reporting.

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 Noble'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 Noble's financial statements that is more than inconsequential will not be prevented or detected by Noble's internal control.

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 Noble'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noble'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 noted certain matters that we reported to Noble's management in a separate letter dated October 20, 2008.

This report is intended solely for the information and use of the governing body, management and others within Noble 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
October 20, 2008

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

Board of Directors
Noble, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of Noble, Inc. (Noble) 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. Noble'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 Noble's management. Our responsibility is to express an opinion on the compliance of Noble 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 Noble'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 Noble's compliance with those requirements.

In our opinion, Noble 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 Noble 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 Noble'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 Noble's internal control over compliance.

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
October 20, 2008

Noble, Inc.

Schedule of Findings and Questioned Costs
Year Ended 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. Noble's major programs were:

Cluster/Program	CFDA Number
Title XX Grant	93.667

Noble, Inc.

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

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $300,000.

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

Noble, Inc.

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No reportable matters noted.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No reportable matters noted.	

Noble, Inc.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Reference Number	Summary of Finding	Status
	Not applicable - no reportable matters noted.	

BKD LLP

Board of Directors, Audit Committee and Management
Noble, Inc.
Indianapolis, Indiana

As part of our audit of the financial statements of Noble, Inc. (Noble) 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

Noble's significant accounting policies are described in Note 1 of the audited financial statements. There were no significant changes to Noble's accounting policies during 2008.

Alternative Accounting Treatments

We had 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 as well as general accounting policies, as follows:

- No matters are reportable

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:

- Allowance for uncollectible accounts receivable, which is based upon outstanding receivables, historical collection information and existing economic conditions
- Allowance for uncollectible contributions receivable
- The discount rates used to determine the estimated present value of contributions receivable
- The discount rates used to determine the estimated present value of future annuity payments
- Useful lives and methods of depreciation for property and equipment

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:

- Discontinued operations
- Significant estimates and concentrations

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. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- To adjust prepaid expenses
- To adjust the allowance for uncollectible accounts
- To remove contributions from deferred revenue

Proposed Audit Adjustments Not Recorded

- To record the prior year effect of a contribution receivable recognized in the current year

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

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

During the course of the audit, we made the following observations regarding Noble'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 is the management representation letter (attached).

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Noble, Inc. 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 Noble'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 Noble's internal control. Accordingly, we do not express an opinion on the effectiveness of Noble'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 Noble'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 Noble'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 Noble's financial statements that is more than inconsequential will not be prevented or detected by Noble'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 Noble's financial statements will not be prevented or detected by Noble'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 October 25, 2007.

Material Weaknesses

No matters are reportable.

Significant Deficiencies

No matters are reportable.

Control Deficiency

Financial Reporting

During our audit, we identified certain audit adjustments that are considered to be control deficiencies, as the Noble's internal control environment did not detect these adjustments. These adjustments, as listed above, included adjustments to accounts receivable, prepaid expenses, deferred revenue and contributions.

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.

Future Accounting and Tax Considerations

Revised Form 990

The IRS has released a new federal Form 990, *Return of Organization Exempt from Income Tax*, which consists of 11 core pages and 16 supplemental schedules. The new form has an implementation date for 2008 returns filed in 2009.

The redesign of Form 990, the first since 1979, is 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
- Minimize the burden on filing organizations

The new form's highlights are:

- A summary page provides the organization's key financial, governance and operational information with prior year comparative information
- Pages requiring governance information, including the composition of the board, and narrative descriptions of policies and processes
- Schedules focusing on areas of interest to the public and the IRS: fundraising, compensation, hospitals, tax-exempt bonds and noncash charitable contributions

Items the board will need to consider include:

- Review of governance policies
- Review of tax-exempt bond compliance requirements
- For health care organizations, community benefits and charity care policies and reporting
- Thorough review of the functional expense allocation
- Additional reporting of foreign activities by region
- Detailed information segregated by the type of noncash contributions
- Detailed fringe benefit compensation information and reporting, based on calendar year W-2 for all filers
- Detailed reporting of related party transactions

Please note significant narratives throughout the form may necessitate involvement of personnel in financial and operational roles. Also, the time requirements for the revised form, especially in the first year, will significantly increase for both data gathering and form preparation. The magnitude of the increased time will vary based on the complexity of operations. The instructions for the 990 illustrate the significant changes that have occurred. The 2007 Form 990 instructions and two schedules total 70 pages. The 2008 Form 990 draft instructions for the core form and 16 schedules total 271 pages.

More information on these changes can be located on our website 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.

Financial Reporting for Endowment Funds

In August 2008, the Financial Accounting Standards Board (FASB) issued guidance on how the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) impacts the net asset classification for **donor-restricted endowments** of not-for-profit organizations (NFPs). Effective for years ending after December 15, 2008, FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* also imposes additional financial statement disclosures regarding an organization's endowment funds (both donor-restricted and board-designated.) The additional disclosures apply whether or not the organization is subject to UPMIFA.

UPMIFA, which replaces the Uniform Management of Institutional Funds Act (UMIFA), provides statutory guidelines for the management, investment and expenditure of donor-restricted endowment funds. UMIFA provided the basis used in FASB literature (FAS 116, 117 and 124) for determining net asset classification of endowment funds. As states enacted UPMIFA, significant questions were raised about the financial reporting for donor-restricted endowment funds. FASB issued FSP FAS 117-1 in response to those questions.

Some of the more significant changes that may result from the adoption of FSP FAS 117-1 by NFPs with endowments that are subject to an enacted version of UPMIFA include:

- Reclassification of net assets based on your governing board's interpretation of the amount that must be retained (preserved) permanently based on the enacted version of UPMIFA in your state
- Reclassification of the unappropriated, accumulated earnings in excess of the amounts permanently restricted on donor-restricted general endowments from unrestricted net assets to temporarily restricted net assets (time restricted)
- Reclassification from unrestricted net assets to temporarily restricted net assets of amounts previously released from a purpose restriction but have not been appropriated for expenditure from the endowment fund
- Additional disclosures relating to spending rate and investment policies
- Disclosure of a reconciliation of the beginning and ending balance of endowment, in total and by net asset class

To prepare for the adoption of FSP FAS 117-1, your organization with assistance from your legal counsel and your BKD adviser should:

- Evaluate your state's law and document the governing board's determination of the amount that must be retained (preserved) permanently
- Evaluate investment and spending policies to ensure that they are current and articulate the information required to be disclosed
- Evaluate the impacts adoption of this FSB on debt covenants and any other ratios that key off of net assets
- Determine if your financial reporting systems capture all of the new information that will need to be disclosed

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 Company's financial statements for the year beginning January 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 the Company 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

While we do not believe this standard will have a significant impact for Noble, the investment in International Value Investments, LLC will need to reviewed for the adoption of FAS 157, as well as any future investments in alternative investments.

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

BKD, LLP

October 20, 2008

Noble, Inc.
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	10,161,441		10,161,441	
Total Liabilities	(3,067,022)		(3,067,022)	
Net Assets	(7,094,419)		(7,094,419)	
Revenues & Income	(10,617,653)	50,000	(10,567,653)	-0.47%
Costs & Expenses	11,521,928		11,521,928	
Change in net assets	904,275	50,000	954,275	5.53%