



STATE OF INDIANA
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July 7, 2009

Board of Directors
Indiana Rural Health Association, Inc.
1024 S. 6th St., Ste. 202
Terre Haute, IN 47807

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 Indiana Rural Health Association, 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 findings in the report. Page 9 contains two current audit findings.

STATE BOARD OF ACCOUNTS

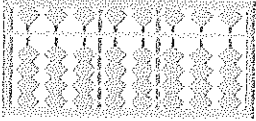
INDIANA RURAL HEALTH ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2007

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From Vision to Solution

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indiana Rural Health Association
Terre Haute, Indiana

We have audited the accompanying statement of financial position of Indiana Rural Health Association, Inc, 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Rural Health Association, 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.

Plainfield, Indiana
October 15, 2008

INDIANA RURAL HEALTH ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Cash	\$ 406,669
Restricted cash	23,802
Grants receivable	35,275
Furniture and equipment - net	<u>20,584</u>
Total assets	<u><u>\$ 486,330</u></u>

LIABILITIES

Accounts payable	<u>\$ 4,076</u>
Total liabilities	<u>4,076</u>

NET ASSETS

Unrestricted	458,452
Temporarily restricted	<u>23,802</u>
Total net assets	<u>482,254</u>
Total liabilities and net assets	<u><u>\$ 486,330</u></u>

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

INDIANA RURAL HEALTH ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
For the Year ended December 31, 2007

REVENUE	Unrestricted	Temporarily Restricted	Totals
Public support - federal funds	\$ 362,967	\$ -	\$ 362,967
Public support - state funds	3,000	10,000	13,000
Grant revenue	9,500	-	9,500
Membership fees	40,745	-	40,745
Annual conference	126,083	-	126,083
Program fees	35,740	-	35,740
Donations	-	12,546	12,546
Interest income	13,696	-	13,696
Special events - net	-	5,210	5,210
Other revenue	19,298	-	19,298
Net assets released from restrictions	10,000	(10,000)	-
Total revenues	<u>621,029</u>	<u>17,756</u>	<u>638,785</u>
EXPENSES			
Grant and program services	484,211	-	484,211
General and administrative	53,597	-	53,597
Total expenses	<u>537,808</u>	<u>-</u>	<u>537,808</u>
Change in net assets	83,221	17,756	100,977
NET ASSETS - beginning of the year	<u>375,231</u>	<u>6,046</u>	<u>381,277</u>
NET ASSETS - end of year	<u>\$ 458,452</u>	<u>\$ 23,802</u>	<u>\$ 482,254</u>

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

INDIANA RURAL HEALTH ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

OPERATING ACTIVITIES

Change in net assets	\$ 100,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,830
(Increase) in restricted cash	(17,756)
Decrease in accounts receivable	58,699
Increase in accounts payable	4,076
	154,826
Net Cash Provided by Operating Activities	154,826

INVESTING ACTIVITIES

Purchase of equipment	(8,949)
	(8,949)
Net Cash Used by Investing Activities	(8,949)

NET INCREASE IN CASH

145,877

CASH AND CASH EQUIVALENTS - beginning of year

260,792

CASH AND CASH EQUIVALENTS - end of year

\$ 406,669

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

INDIANA RURAL HEALTH ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Grant and Program Services	General and Administrative	Totals
Personnel Costs			
Salaries and wages	\$ 230,683	\$ 20,095	\$ 250,778
Payroll taxes	22,058	1,922	23,980
Total personnel costs	<u>252,741</u>	<u>22,017</u>	<u>274,758</u>
Advertising and promotion	2,727	820	3,547
Annual conferences costs	62,384	-	62,384
Continuing education	1,813	-	1,813
Depreciation	-	8,830	8,830
Insurance	1,613	14	1,627
Meeting expenses	3,900	24	3,924
Miscellaneous	5,333	-	5,333
Occupancy	14,374	-	14,374
Office supplies and minor equipment	12,401	380	12,781
Postage and delivery	4,144	8	4,152
Printing and reproduction	3,165	(12)	3,153
Professional fees	12,585	11,273	23,858
Grant / program expenses	63,036	6,762	69,798
Registration fees	4,149	-	4,149
Repairs and maintenance	2,036	2,664	4,700
Scholarships	10,000	-	10,000
Telephone	6,338	817	7,155
Travel	21,472	-	21,472
Total functional expenses	<u>\$ 484,211</u>	<u>\$ 53,597</u>	<u>\$ 537,808</u>

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

INDIANA RURAL HEALTH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 – NATURE OF OPERATIONS

Indiana Rural Health Association, Inc. (the Association) was incorporated as a nonprofit association in September 1997 under the laws of the State of Indiana. The Association seeks to improve rural health care through the encouragement of community involvement, development, and planning that enhances the health status of rural citizens.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The Association reports its operations on the accrual basis wherein revenue and expenses are recognized in the period earned or incurred.

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 Association follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Associations," and SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 117, the Association 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. The Association has no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Association 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.

Revenue - Unrestricted sponsorships, registrations, and membership dues are recorded as revenue when received.

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. There are no permanently restricted contributions.

INDIANA RURAL HEALTH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment - Purchases of furniture and equipment in excess of \$500 are recorded at cost. The Association provides for depreciation using rates which are sufficient to amortize the cost of depreciable assets over their estimated useful lives. Depreciation is computed using the straight line method over useful lives from three to ten years.

Advertising Costs – Advertising costs are expensed as they are incurred.

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

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. Fundraising expenses are incurred in connection with generating contributions. There were no fundraising expenses for the year ended December 31, 2007.

Note 3 – CASH IN EXCESS OF FDIC LIMIT

The Association maintains bank accounts which periodically exceed the FDIC guarantee limit during the year. At December 31, 2007, the Association had bank accounts which were in excess of the FDIC limit by approximately \$351,000.

Note 4 – ACCOUNTS RECEIVABLE – GRANTS

As of December 31, 2007, accounts receivable from grants were composed of:

Indiana State Department of Health	\$ 13,716
Department of Human Services	<u>21,599</u>
Total	\$ <u>35,275</u>

Note 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2007 were available for student scholarships in the amount \$23,802.

Net assets were released from donor restrictions during the year ended December 31, 2007 by incurring expenses satisfying the purpose or time restrictions specified by the donors for student scholarships in the amount of \$10,000.

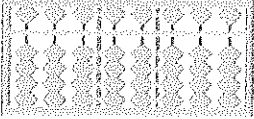
INDIANA RURAL HEALTH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 6 – OPERATING LEASE

The Association leases its office space pursuant to a noncancellable operating lease which expires in September 2009. The lease agreement includes monthly payments for rent, utilities and security fee in the amount of \$1,115. Rent expense incurred in connection with all long-term operating lease agreements aggregated \$8,580 in 2007 which is included in occupancy on the statement of functional expenses. At December 31, 2007, the future minimum lease payments required by this lease are \$13,377 in 2008 and \$10,033 in 2009.

Note 7 – EXISTENCE OF CONCENTRATION IN SUPPORT RECEIVED

The Association received approximately 59% of its support from the Federal government, which the majority is pass-through funds from the State of Indiana. 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 the Association would need to reduce its current operations. The Association does not expect in any way that the support from these sources will be lost in the near term.



From Vision to Solution

**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
Indiana Rural Health Association
Terre Haute, Indiana

We have audited the financial statements of Indiana Rural Health Association (a nonprofit Association) as of and for the year ended December 31, 2007, and have issued our report thereon dated October 15, 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 Indiana Rural Health Association'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 certain matters involving the internal control over financial reporting and its operation that we consider to be control deficiencies. 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 Rural Health Association's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. We consider the following deficiencies to be significant deficiencies in internal control.

- Indiana Rural Health Association 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.
- Indiana Rural Health Association has not formalized a cost allocation plan.

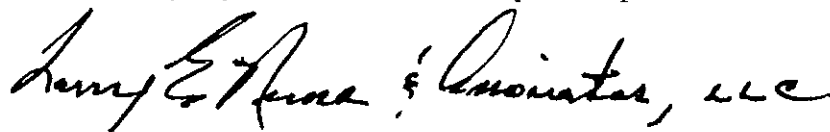
A material weakness is a control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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 control deficiencies and, accordingly, would not necessarily disclose all control deficiencies that are also considered to be 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 Indiana Rural Health Association'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
October 15, 2008