



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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November 24, 2009

Board of Directors  
Foster Parent Services, Inc.  
3798 W. Co. Rd. 500S  
Vallonia, IN 47281

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 Foster Parent Services, 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.

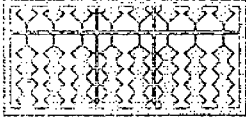
We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

FOSTER PARENT SERVICES, INC.  
FINANCIAL STATEMENTS  
Years Ended December 31, 2007 and 2006

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*From Vision to Solution*

Board of Directors  
Foster Parent Services, Inc.  
Vallonia, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of assets, liabilities and stockholder's equity-modified cash basis of Foster Parent Services, Inc., as of December 31, 2007 and 2006 and the related statements of revenue, expenses and changes in retained earnings-modified cash basis and cash flows-modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and stockholder's equity of Foster Parent Services, Inc. as of December 31, 2007 and 2006, and its revenue, expenses and changes in stockholder's equity for the years then ended on the basis of accounting described in Note 2.

Columbus, Indiana  
September 24, 2008

FOSTER PARENT SERVICES, INC.  
 STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDER'S EQUITY  
 MODIFIED CASH BASIS  
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash in bank	\$ <u>2</u>	\$ <u>164</u>
 Total assets	 \$ <u>2</u>	 \$ <u>164</u>
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Current liabilities		
Payroll taxes withheld	\$ 2,101	\$ 1,960
Stockholder loans	<u>-</u>	<u>2,000</u>
 Total current liabilities	 <u>2,101</u>	 <u>3,960</u>
 Stockholder's Equity		
Common Stock - 100 shares issued and outstanding	1,000	1,000
Retained earnings	<u>(3,099)</u>	<u>(4,796)</u>
 Total stockholder's equity	 <u>(2,099)</u>	 <u>(3,796)</u>
 Total liabilities and stockholder's equity	 \$ <u>2</u>	 \$ <u>164</u>

See accompanying notes and independent auditor's report.

FOSTER PARENT SERVICES, INC.  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
MODIFIED CASH BASIS  
For Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Foster parent training	\$ 151,672	\$ 79,311
Foster home studies/Foster family support	19,261	39,505
Other income	<u>1,350</u>	<u>1,370</u>
Total Revenue	<u>172,283</u>	<u>120,186</u>
<b>EXPENSES</b>		
Salaries	76,800	35,200
Payroll taxes	4,699	3,308
Simple IRA match	2,208	1,552
Medical reimbursement	4,676	1,656
Contracted services	41,626	49,449
Travel	9,652	6,241
Telephone	1,924	2,041
Office rent	3,800	2,750
Training supplies and materials	4,249	3,629
Office supplies	2,294	878
Postage	2,820	1,064
Professional fees	3,136	5,400
Insurance	837	856
Miscellaneous expense	7	496
First aid, CPR training	<u>11,771</u>	<u>7,601</u>
Total Expenses	<u>170,499</u>	<u>122,121</u>
Net income from operations	<u>1,784</u>	<u>(1,935)</u>
<b>Other income (expense)</b>		
Interest income	111	62
Interest expense	<u>(138)</u>	<u>-</u>
Net income before taxes	1,757	(1,873)
Income taxes	<u>(60)</u>	<u>-</u>
Net income	1,697	(1,873)
Retained earnings (deficit), beginning of year	<u>(4,796)</u>	<u>(2,923)</u>
Retained earnings (deficit), end of year	<u>\$ (3,099)</u>	<u>\$ (4,796)</u>

See accompanying notes and independent auditor's report.

FOSTER PARENT SERVICES, INC.  
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
For Years Ended December 31, 2007 and 2006

	2007	2006
<b>Cash Flows From Operating Activities</b>		
Net Income (loss)	1,697	(1,873)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Increase (decrease) in other accrued liabilities	141	(451)
Net Cash Provided (Used) by Operating Activities	1,838	(2,324)
<b>Cash Flows From Financing Activities</b>		
Proceeds from stockholder loans	10,500	9,500
Repayment of stockholder loans	(12,500)	(7,500)
Net Cash Provided (Used) by Financing Activities	(2,000)	2,000
NET INCREASE (DECREASE) IN CASH	(162)	(324)
CASH AT BEGINNING OF YEAR	164	488
CASH AT END OF YEAR	\$ 2	\$ 164

Supplemental Disclosures

Cash Paid During the Year for:

Interest	\$ 138	\$ -
Income taxes	\$ 60	\$ -

See accompanying notes and independent auditor's report.

FOSTER PARENT SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

Note 1 - NATURE OF OPERATIONS

Foster Parent Services, Inc. was formed in May 1997 and provides services for various support programs in the southeastern Indiana area. Substantially all support is received from the State of Indiana.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting -

The Corporation uses the modified cash basis of accounting. Revenue is recognized upon receipt rather than when earned. Expenses are recorded in the period paid rather than the period incurred. Amounts withheld from wages and amounts borrowed from stockholders are recorded as a liability at the time of the transaction.

Equipment -

Equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Federal and State Income Taxes -

The Corporation has not adopted Statement of Financial Accounting Standards No. 109 (SFAS 109"). The Statement requires use of the liability method of accounting for deferred income taxes. The Corporation record income tax expense upon payment of the liability.

Statement of Cash Flows -

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates -

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

Note 3 - CONCENTRATION OF CREDIT RISK

For the years 2007 and 2006, the Corporation received approximately 88% and 66%, respectively, of its funding from the state of Indiana and approximately 12% and 33% from various county governments within the state of Indiana. See Note 5 for details of the contracts.

Note 4 - RETIREMENT PLAN

The Corporation has established a SIMPLE IRA plan covering all employees. The current match is 3% of gross salaries and is funded on a regular basis. The expense for 2007 and 2006 was \$2,208 and \$1,552, respectively.

FOSTER PARENT SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

Note 5 - GRANTS

The Corporation secured a grant through the Indiana Family and Social Services Administration, Division of Family and Children running from October 1, 2004 through June 30, 2006. This grant was to provide services for Foster, Adoption and Kinship training in 15 counties in Southeastern Indiana. These funds were a pass through from the Federal Child Care and Development Fund of the United States Department of Health and Human Services Foster Care Title IV-E (CFDA 93.658). The breakdown of funds from the state is 75% federal dollars and 25% state dollars. The total contract is for \$242,592, broken out \$121,296 for the periods running from October 1, 2004 through June 30, 2005 and from July 1, 2005 through June 30, 2006. Total amounts received on this contract totaled \$151,672 and \$79,311 for the years 2007 and 2006, respectively. As of December 31, 2007, the new contract is in effect for the period July 1, 2006 through December 31, 2008. This new contract is between Foster Parent Services, Inc. and the Department of Child Services, formerly Division of Family and Children. The contract totals \$291,974. As of December 31, 2007, \$30,088 of eligible claims had been submitted but not reimbursed by the state.

Subsequent to year end, the contract with the Department of Child Services was amended and the contract total was increased to \$302,974, effective for the period July 1, 2006 through December 31, 2008.

The Corporation has also contracted with Indiana Family and Social Services Administration, Division of Family and Children to provide Child Welfare Planning services. The contract runs from October 1, 2004 through June 30, 2006. These funds are a pass through from United States Department of Health and Human Services, Safe and Stable Families (CFDA 93.556), Child Welfare State Grants (CFDA 93.645). Amounts received during 2007 and 2006 totaled \$19,261 and \$39,505, respectively.

Note 6 - INCOME TAXES

The Corporation has net operating losses from prior years through December 31, 2007 and 2006 of \$0 and \$10,500, respectively. These losses are being carried forward, due to losses in the carry back period. Approximately \$0 and \$3,000 of prior year losses was used to offset taxable income in 2007 and 2006, respectively. Income tax expense for the year ended December 31, 2007 and 2006 was \$60 and \$0-, respectively. The Corporation calculates taxable income on a cash basis. Current year differences are due to the timing of salaries and related taxes.

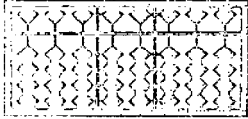
Note 7 - RELATED PARTY TRANSACTIONS

The Corporation leases office space from the stockholder in an agreement dated December 30, 1998. The agreement was amended during the current year, effective March 1, 2007. The amended lease calls for monthly payments of \$300 and is in effect on a month to month basis. Rent expense was \$3,800 and \$2,750 for the years ended December 31, 2007 and

FOSTER PARENT SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

2006, respectively.

The balance of amounts loaned to the Corporation by the stockholder was \$-0- and \$2,000 as of December 31, 2007 and 2006, respectively.



*From Vision to Solution*

September 25, 2008

To the Board of Directors  
and Anna Pollert, President

In planning and performing our audit of the financial statements of Foster Parent Services, Inc. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Foster Parent Services, Inc.'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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- The client does not have the ability to prepare a complete set of financial statements and related footnote disclosures and have engaged the auditors to perform this function.

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

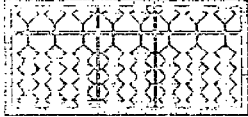
Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider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

This communication is intended solely for the information and use of management, 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.

*Larry E. Nunn & Associates, LLC*

Larry E. Nunn & Associates,  
Certified Public Accountants, LLC

Columbus, Indiana



*From Vision to Solution*

September 25, 2008

To the Board of Directors  
Foster Parent Services, Inc.

We have audited the financial statements of Foster Parent Services, Inc. for the year ended December 31, 2007, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 24, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 24, 2008.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Foster Parent Services, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because the possibility that future events affecting them may differ significantly from those expected.

Foster Parent Services, Inc.  
September 25, 2008

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

*Management Consultations and Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

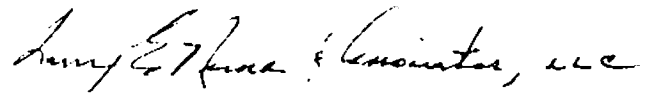
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Foster Parent Services, Inc.  
September 25, 2008

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

Very truly yours,

A handwritten signature in cursive script that reads "Larry E. Nunn & Associates, LLC".

Larry E. Nunn & Associates,  
Certified Public Accountants, L.L.C.