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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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November 30, 2009

Board of Directors
Association of Rehabilitation
Facilities of Indiana, Inc.
615 N. Alabama St., Ste. 410
Indianapolis, IN 46204

We have reviewed the audit report prepared by BKD, LLP, 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 Association of Rehabilitation Facilities of Indiana, 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.

STATE BOARD OF ACCOUNTS

Association of Rehabilitation Facilities of Indiana, Inc.

Accountants' Report and Financial Statements

December 31, 2007 and 2006

Association of Rehabilitation Facilities of Indiana, Inc.
December 31, 2007 and 2006

Contents

BKD LLP

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Association of Rehabilitation Facilities of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Association of Rehabilitation Facilities of Indiana, Inc. (ARFIN) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ARFIN'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. The December 31, 2006 financial statements of ARFIN, which are presented in this report, were not audited in accordance with *Government Auditing Standards*. 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 Association of Rehabilitation Facilities of Indiana, Inc. as of December 31, 2007 and 2006, 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 February 5, 2008, on our consideration of ARFIN'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.

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

February 5, 2008

Association of Rehabilitation Facilities of Indiana, Inc.

Statements of Financial Position
December 31, 2007 and 2006

Assets

	2007	2006
Cash and cash equivalents	$ 191,644	$ 169,099
Investments	703,666	551,467
Accounts receivable	81,544	103,681
Grants receivable	406,277	225,768
Prepaid expenses	4,494	4,488
Property and equipment, net of accumulated depreciation; 2007 - $66,993, 2006 - $67,847	2,299	2,418
Total assets	$ 1,389,924	$ 1,056,921

Liabilities and Net Assets

	2007	2006
Liabilities		
Accounts payable	$ 7,576	$ 2,500
Accounts payable - related party	5,475	20,700
Grants payable	374,774	212,578
Total liabilities	387,825	235,778
Net Assets		
Unrestricted	981,433	804,301
Temporarily restricted	20,666	16,842
Total net assets	1,002,099	821,143
Total liabilities and net assets	$ 1,389,924	$ 1,056,921

Association of Rehabilitation Facilities of Indiana, Inc.

Statements of Activities
Years Ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State use law program service fees	$ 470,203	$ -	$ 470,203	$ 456,096	$ -	$ 456,096
Grant income	4,724,508	-	4,724,508	318,478	-	318,478
Grant match income	837,214	-	837,214	56,043	-	56,043
Contributions	-	4,782	4,782	-	4,548	4,548
Investment income	23,205	42	23,247	22,754	37	22,791
	6,055,130	4,824	6,059,954	853,371	4,585	857,956
Release from restriction	1,000	(1,000)	-	1,000	(1,000)	-
Total revenues, gains and other support	6,056,130	3,824	6,059,954	854,371	3,585	857,956
Expenses						
Management fee expense	448,869	-	448,869	395,700	-	395,700
Grant expenses	4,547,391	-	4,547,391	263,091	-	263,091
Grant match expenses	837,214	-	837,214	56,043	-	56,043
Professional fees	16,474	-	16,474	28,784	-	28,784
Commission rebate	-	-	-	650	-	650
Public relations	12,315	-	12,315	6,503	-	6,503
Supplies	2,500	-	2,500	233	-	233
Scholarships	1,000	-	1,000	1,000	-	1,000
Printing	2,282	-	2,282	2,099	-	2,099
Travel	1,670	-	1,670	1,765	-	1,765
Meals, lodging and entertainment	3,906	-	3,906	2,637	-	2,637
Other expenses	2,528	-	2,528	1,144	-	1,144
Insurance	6,750	-	6,750	6,726	-	6,726
Depreciation	1,330	-	1,330	954	-	954
Total expenses	5,884,229	-	5,884,229	767,329	-	767,329
Change in Net Assets From Operations	171,901	3,824	175,725	87,042	3,585	90,627
Other Gains						
Realized and unrealized gain on investments	5,231	-	5,231	11,428	-	11,428
Change in Net Assets	177,132	3,824	180,956	98,470	3,585	102,055
Net Assets, Beginning of Year	804,301	16,842	821,143	705,831	13,257	719,088
Net Assets, End of Year	$ 981,433	$ 20,666	$ 1,002,099	$ 804,301	$ 16,842	$ 821,143

Association of Rehabilitation Facilities of Indiana, Inc.

Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Operating Activities		
Cash received from members, customers, and others	$ 5,878,335	$ 606,056
Interest received	23,247	22,791
Interest paid	-	-
Cash paid to suppliers	(5,730,858)	(533,056)
Net cash provided by operating activities	170,724	95,791
Investing Activities		
Purchases of investments	(213,352)	(192,638)
Proceeds from sales and maturities of investments	66,384	171,423
Purchase of property and equipment	(1,211)	(2,579)
Principal payment on related party note	-	-
Net cash used in investing activities	(148,179)	(23,794)
Increase in Cash and Cash Equivalents	22,545	71,997
Cash and Cash Equivalents, Beginning of Year	169,099	97,102
Cash and Cash Equivalents, End of Year	$ 191,644	$ 169,099
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	$ 180,956	$ 102,055
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,330	954
Realized and unrealized gains	(5,231)	(11,428)
Changes in operating assets and liabilities		
Accounts receivable	(158,372)	(229,109)
Prepaid expenses	(6)	(25)
Accounts and grants payable	152,047	233,344
Net cash provided by operating activities	$ 170,724	$ 95,791

Association of Rehabilitation Facilities of Indiana, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

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

Nature of Operations

The Association of Rehabilitation Facilities of Indiana, Inc. (ARFIN) was incorporated in the State of Indiana with the primary objectives of serving the needs of people with disabilities in the State of Indiana, including assisting community rehabilitation programs in obtaining contracts to provide various goods and services to the State through the State Use Law Program. ARFIN is governed by an eight member Board of Directors, all of whom are executive directors or presidents from various rehabilitation facilities throughout the State. ARFIN's revenue is derived principally from state use law program service fees and state grants.

During 2007, ARFIN's board approved a motion to change the organization's name. On January 16, 2008, the State of Indiana approved ARFIN's name change to Smart Partners Alliance, Inc.

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

ARFIN considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2007, ARFIN's cash equivalents consisted primarily of money market funds. At December 31, 2007, ARFIN's cash accounts exceeded federally insured limits by approximately $98,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend and interest income and realized and unrealized gains and losses on investments carried at fair value.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers and members. ARFIN provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Based on management's assessment of the credit history with customers and members having outstanding balances at December 31, 2007 and 2006, ARFIN has determined that the allowance for uncollectible doubtful accounts is zero. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. ARFIN considers any account past due more than 90 days to be delinquent. Accounts past due more than 90 days are charged an additional 1% of interest for each month outstanding.

Furnishings and Equipment

Furnishings and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. For the first year of service of the asset, one-half of a year's depreciation is taken.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by ARFIN has been limited by donors to a specific time period or purpose.

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 and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

State Use Law Program Service Fees

ARFIN assists eligible not-for-profit organizations in obtaining State contracts for the provision of various products and services as part of the State Use Law Program established under Indiana Code Sections 5-22-13 and 16-32-2. ARFIN receives five percent of the amount billed under these contracts from the eligible not-for-profit organizations. Revenue is recognized in the period the eligible not-for-profit organizations provide services to the State.

Vocational Rehabilitation Grant

During 2006, ARFIN signed a grant agreement with the Indiana Family & Social Services Administration, Division of Disability and Rehabilitative Services, Bureau of Rehabilitation Services, Vocational Rehabilitation Services, to serve as a fiscal intermediary with various fiscal compliance and financial management responsibilities. The total amount of this grant is $6,565,000, of which $6,385,000 is to be used to enter into sub-grant agreements with Community Rehabilitation Programs. The remaining $180,000 is to cover ARFIN's administrative costs of serving as fiscal intermediary. This grant includes a matching requirement whereby the Community Rehabilitation Programs that are contracted as subgrantees are required to match 21.3% of total program appropriations.

In 2007, this grant was renewed for an additional amount of $7,210,000, of which $7,000,000 is to be used to enter into sub-grant agreements with Community Rehabilitation Programs. The remaining $210,000 is to cover ARFIN's administrative costs of serving as fiscal intermediary. Sub-grantees that participated in the first grant period are no longer required to provide the 21.3% match. All new sub-grantees, however, are subject to the matching requirements.

Income Taxes

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

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Certain costs have been allocated among the program and management and general categories based on the actual expenditures and cost allocations determined by management.

Note 2: Investments

Investments at December 31 consisted of the following:

	2007	2006
Money market funds	$ 72,048	$ 71,259
Mutual funds	358,857	251,426
Fixed income securities	160,476	169,842
Equity securities	112,285	58,940
	$ 703,666	$ 551,467

Association of Rehabilitation Facilities of Indiana, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

Note 3: Grant Commitments

ARFIN receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of ARFIN are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2007, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2007:

Grant	Term	Grant Amount	Earned as of December 31, 2007	Unexpended Funds	Funding Available
Vocation Rehabilitation Administration	August 15, 2006 - September 30, 2007	$ 6,565,000	$ 4,432,521	$ 2,132,479	$ -
Vocation Rehabilitation Administration	October 1, 2007 - September 30, 2008	7,210,000	610,465	-	6,599,535

Note 4: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

	2007	2006
Costa N. Miller Community Achievement Award	$ 20,666	$ 16,842

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.

	2007	2006
Costa N. Miller Community Achievement Award	$ 1,000	$ 1,000

Note 5: Related Party Transactions

ARFIN and the Indiana Association of Rehabilitation Facilities, Inc. (Association) are related parties. ARFIN has contracted with the Association to perform certain management and administrative services for 2007 and 2006 in exchange for $375,000 to be paid by ARFIN each year. ARFIN also agreed to pay the Association $73,869 and $20,700 for the administration of the Vocational Rehabilitation grant in 2007 and 2006, respectively.

The following table summarizes the financial position and activities of the Association as of and for the years ended December 31, 2007 and 2006.

	2007	2006
Total assets	$ 1,187,728	$ 898,568
Total liabilities	$ 301,903	$ 226,724
Total net assets	885,825	671,844
Total liabilities and net assets	$ 1,187,728	$ 898,568
Total revenue	$ 1,519,872	$ 1,362,935
Total expenses	1,305,891	1,251,240
Change in net assets	$ 213,981	$ 111,695

Note 6: Functional Expenses

The following represents a functional breakdown of ARFIN's expenses by program and supporting services.

	2007	2006
Vocational Rehabiliation Grant Administration	$ 5,461,541	$ 349,970
Central Coordinating Agency - State Use Law Program	406,336	396,723
General and administrative	16,352	20,636
Total expenses	$ 5,884,229	$ 767,329

Note 7: Concentrations

For the years ended December 31, 2007 and 2006, 100% of the grant receivable and grant income was related to one agency.

Supplementary Information

Association of Rehabilitation Facilities of Indiana, Inc.

Statement of Governmental Awards
Year Ended December 31, 2007

Federal Grantor/ Pass-through Grantor/ Program Title/ Grant Name	Federal CFDA Number	Grant Number	Total Grant Amount	Grant Reimbursements Net Receivable at Beginning of Year	Receipts	Disbursements/ Expenditures	Grant Reimbursements Net Receivable at End of Year
Department of Education							
Pass-through programs							
State of Indiana, Family & Social Services Administration							
Vocational Rehabilitation Services	84.126a	49-07-VA-0365	$ 13,775,000	$ 225,768	$ 4,543,999	$ 4,724,508	$ 406,277

Association of Rehabilitation Facilities of Indiana, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2007

Federal Grantor/ Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Grant Idenfying Number	Amount
Department of Education			
State of Indiana, Family & Social Services Administration			
Vocational Rehabilitation Services	84.126A	49-07-VA-0365	$ 4,724,508

Notes to Schedule

1. This schedule includes the federal awards activity of the Association of Rehabilitation Facilities of Indiana, 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.

Association of Rehabilitation Facilities of Indiana, Inc.

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2007

2. Of the federal expenditures presented in this schedule, the Association of Rehabilitation Facilities of Indiana, Inc. provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Vocation Rehabilitation	84.126A	Achieva Resources, Inc.	$ 359,344
		Arc Bridges	154,736
		Blue River Services	2,457
		Bona Vista Programs	88,115
		Cardinal Center	7,263
		Carey Services	120,490
		Child-Adult Resource Services, Inc.	20,538
		CDC Resources	41,310
		Community Mental Health Center	38,323
		Deaf Services	66,619
		Developmental Services, Inc.	50,678
		Easter Seals Arc of NE Indiana	92,429
		Easter Seals Crossroads	588,551
		Easter Seals Rehabilitation Center	63,836
		Evansville Goodwill Industries	164,843
		Four Rivers Resource Services	3,198
		Gateway Services	155,370
		Goodwill Industries, Central Indiana	111,012
		Hamilton Center	194,629
		Hillcroft	134,870
		Independent Residential Living of Central Indiana	83,530
		Janus	192,636
		League for the Blind and Disabled	127,821
		Marshall Starke	128,445
		Memorial Regional Rehabilitation Center	2,731
		Mental Health Association	208,174
		Michiana Resources	38,581
		New Horizons Rehabilitation	59,867
		Opportunity Enterprises	80,789
		Options for Better Living	84,940
		Passages	8,265
		Pathfinders	157,885
		Quinco Consulting	208,226
		Sycamore Services, Inc.	324,467
		The Arc of Indiana	314,024
		Wabash Center	69,135
			$ 4,548,127

BKD LLP

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
Association of Rehabilitation Facilities of Indiana, Inc.
Indianapolis, Indiana

We have audited the financial statements of Association of Rehabilitation Facilities of Indiana, Inc. (ARFIN) as of and for the year ended December 31, 2007, and have issued our report thereon dated February 5, 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 ARFIN'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 ARFIN's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ARFIN'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 ARFIN'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 ARFIN's financial statements that is more than inconsequential will not be prevented or detected by the ARFIN'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 ARFIN'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 ARFIN'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 ARFIN's management in a separate letter dated February 5, 2008.

This report is intended solely for the information and use of the governing body, management and others within ARFIN 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
February 5, 2008

BKD LLP

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

Board of Directors
Association of Rehabilitation Facilities of Indiana, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of Association of Rehabilitation Facilities of Indiana, Inc. (ARFIN) 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 December 31, 2007. ARFIN'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 ARFIN's management. Our responsibility is to express an opinion on the compliance of Association of Rehabilitation Facilities of Indiana, Inc. 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 ARFIN'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 ARFIN's compliance with those requirements.

In our opinion, Association of Rehabilitation Facilities of Indiana, Inc. 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 December 31, 2007.

Internal Control Over Compliance

The management of Association of Rehabilitation Facilities of Indiana, Inc. 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 ARFIN'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 ARFIN'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 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
February 5, 2008

Association of Rehabilitation Facilities of Indiana, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

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? ☐ 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? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion(s) 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. ARFIN's major programs were:

Cluster/Program	CFDA Number
Vocation Rehabilitation	84.126A

Association of Rehabilitation Facilities of Indiana, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2007

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

Association of Rehabilitation Facilities of Indiana, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2007

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No findings identified.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No findings identified.	

Association of Rehabilitation Facilities of Indiana, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2007

Reference Number	Summary of Finding	Status
	No findings identified.	