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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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November 30, 2009

Board of Directors
Smart Partners Alliance, 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, 2008 to December 31, 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 Association of Smart Partners Alliance, Inc., as of December 31. 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

Smart Partners Alliance, Inc.

Accountants' Report and Financial Statements

December 31, 2008 and 2007

Smart Partners Alliance, Inc.

December 31, 2008 and 2007

Contents

BKD LLP
CPAs & Advisors

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Smart Partners Alliance, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Smart Partners Alliance, Inc. (Organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows 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 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 Smart Partners Alliance, Inc. as of December 31, 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.

As discussed in Note 7, the Organization changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2009, on our consideration of the Organization'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 21, 2009

Smart Partners Alliance, Inc.

Statements of Financial Position
December 31, 2008 and 2007

Assets

	2008	2007
Cash	$ 318,323	$ 191,644
Investments	615,447	703,666
Accounts receivable	103,516	81,544
Grants receivable	396,042	406,277
Prepaid expenses	4,432	4,494
Property and equipment, net of accumulated depreciation: 2008 - $20,908; 2007 - $66,993	1,846	2,299
Total assets	$ 1,439,606	$ 1,389,924

Liabilities and Net Assets

	2008	2007
Liabilities		
Accounts payable	$ 9,664	$ 7,576
Accounts payable - related party	4,950	5,475
Grants payable	369,140	374,774
Total liabilities	383,754	387,825
Net Assets		
Unrestricted	1,033,942	981,433
Temporarily restricted	21,910	20,666
Total net assets	1,055,852	1,002,099
Total liabilities and net assets	$ 1,439,606	$ 1,389,924

Smart Partners Alliance, Inc.

Statements of Activities
Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State use law program service fees	$ 444,544	$ -	$ 444,544	$ 470,203	$ -	$ 470,203
Grant income	5,652,544	-	5,652,544	4,724,508	-	4,724,508
Grant match income	160,615	-	160,615	837,214	-	837,214
Contributions	-	2,222	2,222	-	4,782	4,782
Investment income	30,996	22	31,018	23,205	42	23,247
	6,288,699	2,244	6,290,943	6,055,130	4,824	6,059,954
Release from restriction	1,000	(1,000)	-	1,000	(1,000)	-
Total revenues, gains and other support	6,289,699	1,244	6,290,943	6,056,130	3,824	6,059,954
Expenses						
Management fee expense	434,569	-	434,569	448,869	-	448,869
Grant expenses	5,454,690	-	5,454,690	4,547,391	-	4,547,391
Grant match expenses	160,615	-	160,615	837,214	-	837,214
Professional fees	35,494	-	35,494	16,474	-	16,474
Public relations	12,743	-	12,743	12,315	-	12,315
Supplies	156	-	156	2,500	-	2,500
Scholarships	1,000	-	1,000	1,000	-	1,000
Printing	2,173	-	2,173	2,282	-	2,282
Travel	971	-	971	1,670	-	1,670
Meals, lodging and entertainment	5,204	-	5,204	3,906	-	3,906
Other expenses	2,967	-	2,967	2,528	-	2,528
Insurance	6,780	-	6,780	6,750	-	6,750
Depreciation	1,354	-	1,354	1,330	-	1,330
Total expenses	6,118,716	-	6,118,716	5,884,229	-	5,884,229
Change in Net Assets From Operations	170,983	1,244	172,227	171,901	3,824	175,725
Other Gains and Losses						
Realized and unrealized gain (loss) on investments	(118,474)	-	(118,474)	5,231	-	5,231
Change in Net Assets	52,509	1,244	53,753	177,132	3,824	180,956
Net Assets, Beginning of Year	981,433	20,666	1,002,099	804,301	16,842	821,143
Net Assets, End of Year	$ 1,033,942	$ 21,910	$ 1,055,852	$ 981,433	$ 20,666	$ 1,002,099

Smart Partners Alliance, Inc.

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	2008	2007
Operating Activities		
Cash received from grantors, members and donors	$ 6,248,188	$ 5,878,335
Interest received	31,018	23,247
Cash paid to subrecipients, suppliers and others	(6,121,371)	(5,730,858)
Net cash provided by operating activities	157,835	170,724
Investing Activities		
Purchases of investments	(147,489)	(213,352)
Proceeds from sales and maturities of investments	117,234	66,384
Purchase of property and equipment	(901)	(1,211)
Net cash used in investing activities	(31,156)	(148,179)
Increase in Cash	126,679	22,545
Cash, Beginning of Year	191,644	169,099
Cash, End of Year	$ 318,323	$ 191,644
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	$ 53,753	$ 180,956
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,354	1,330
Realized and unrealized (gains) losses	118,474	(5,231)
Changes in operating assets and liabilities		
Accounts receivable	(11,737)	(158,372)
Prepaid expenses	62	(6)
Accounts and grants payable	(4,071)	152,047
Net cash provided by operating activities	$ 157,835	$ 170,724

Smart Partners Alliance, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

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

Nature of Operations

The Smart Partners Alliance, Inc. (Organization) 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. The Organization is governed by a nine member Board of Directors, all of whom are executive directors or presidents from various rehabilitation facilities throughout the State. The Organization's revenue is derived principally from state use law program service fees and state grants.

During 2007, the Organization's board approved a motion to change the organization's name. On January 16, 2008, the State of Indiana approved the Organization's name change from Association of Rehabilitation Facilities of Indiana, Inc. 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

The financial institution holding the Organization's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to $250,000. The increase in federally insured limits is currently set to expire December 31, 2009. At December 31, 2008, the Organization's interest-bearing cash accounts exceeded federally insured limits by approximately $52,000.

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.

The Organization has investments in mutual funds, fixed income securities, and equity securities and is therefore subject to concentrations of credit risk. Investments are made by an investment manager engaged by the Organization and the investments are monitored by the Organization. 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 the Organization.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. The Organization 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, 2008 and 2007, the Organization has determined that the allowance for uncollectible doubtful accounts is zero. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. The Organization 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 the Organization 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

The Organization 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. The Organization 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, the Organization 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 the Organization’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 the Organization’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.

In 2008, this grant was renewed again for an additional amount of $5,541,995, of which $5,380,578 is to be used to enter into sub-grant agreements with Community Rehabilitation Programs. The remaining $161,417 is to cover the Organization’s administrative costs of serving as fiscal intermediary. Sub-grantees are no longer required to provide the 21.3% match under this renewal.

Income Taxes

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

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Organization has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended December 31, 2009. The Association has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

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:

	2008	2007
Money market funds	$ 128,954	$ 72,048
Mutual funds	350,176	358,857
Fixed income securities	46,195	160,476
Equity securities	90,122	112,285
	$ 615,447	$ 703,666

Note 3: Grant Commitments

The Organization 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 the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2008, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2008:

Grant	Term	Grant Amount	Earned as of December 31, 2008	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	5,626,437	1,583,563	-
Vocation Rehabilitation Administration	October 1, 2008 - September 30, 2009	5,541,995	636,572	-	4,905,423

Note 4: Net Assets

Temporarily Restricted Net Assets

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

	2008	2007
Costa N. Miller Community Achievement Award	$ 21,910	$ 20,666

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

Note 5: Related Party Transactions

The Organization and the Indiana Association of Rehabilitation Facilities, Inc. (Association) are related parties. The Organization has contracted with the Association to perform certain management and administrative services for 2008 and 2007 in exchange for $375,000 to be paid by the Organization each year. The Organization also agreed to pay the Association $59,569 and $73,869 for the administration of the Vocational Rehabilitation grant in 2008 and 2007, respectively.

The following table summarizes the financial position and activities of the Association as of and for the years ended December 31, 2008 and 2007.

	2008	2007
Total assets	$ 1,110,816	$ 1,187,728
Total liabilities	$ 311,095	$ 301,903
Total net assets	799,721	885,825
Total liabilities and net assets	$ 1,110,816	$ 1,187,728
Total revenue	$ 1,423,826	$ 1,519,872
Total expenses	1,509,930	1,305,891
Change in net assets	$ (86,104)	$ 213,981

Note 6: Functional Expenses

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

	2008	2007
Vocational Rehabiliation Grant Administration	$ 5,677,737	$ 5,461,541
Central Coordinating Agency - State Use Law Program	406,742	406,336
General and administrative	34,237	16,352
Total expenses	$ 6,118,716	$ 5,884,229

Note 7: Disclosures About Fair Value of Assets and Liabilities

Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value 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. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, mutual funds, equity securities and fixed income securities.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 615,447	$ 590,699	$ 24,748	$ -

Note 8: Concentrations

For the years ended December 31, 2008 and 2007, 100% of the grant receivable and grant income was related to one agency.

Note 9: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, governmental contracts, grant revenue and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for the state to issue contracts and grants at the same levels as in previous years. A significant decline in governmental support and grant revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable and grants receivable that could negatively impact the Organization's ability to maintain sufficient liquidity.

Supplementary Information

Smart Partners Alliance, Inc.

Statement of Governmental Awards
Year Ended December 31, 2008

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	$ 19,316,995	$ 406,277	$ 5,662,779	$ 5,652,544	$ 396,042

Smart Partners Alliance, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2008

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	$ 5,652,544

Notes to Schedule

1. This schedule includes the federal awards activity of Smart Partners Alliance, 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.

Smart Partners Alliance, Inc.

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2008

2. Of the federal expenditures presented in this schedule, Smart Partners Alliance, Inc. provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient		Amount Provided
Vocation Rehabilitation	84.126A	Achieva Resources, Inc.	$	727,045
		ADEC		9,100
		Arc Bridges		187,348
		Blue River Services		7,307
		Bona Vista Programs		137,275
		Cardinal Services		43,125
		Carey Services		195,572
		Child-Adult Resource Services, Inc.		108,710
		CDC Resources		51,776
		Deaf Services		74,490
		Developmental Services, Inc.		43,763
		Easter Seals Arc of NE Indiana		72,600
		Easter Seals Crossroads		279,001
		Evansville Goodwill Industries		146,831
		Four Rivers Resource Services		93,377
		Gateway Services		107,671
		Hamilton Center		238,669
		Hillcroft Services		217,408
		Hopewell Center		89,275
		Independent Residential Living of Central Indiana		65,255
		Janus Developmental Services		108,477
		Knox County Association for Retarded Citizens		154,337
		Marshall Starke Development Center		108,535
		Memorial Regional Hospital		67,994
		Mental Health America of Indiana		231,650
		Michiana Resources		56,084
		New Hope Services		14,518
		New Horizons Rehabilitation		68,406
		Opportunity Enterprises		130,977
		Options for Better Living		114,516
		Passages		40,250
		Pathfinder Services		87,148
		Quinco Consulting		154,401
		Raintree Programs, Inc.		90,623
		Sycamore Services, Inc.		486,384
		The Arc of Indiana		537,961
		Wabash Center		106,831
			$	5,454,690

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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
Smart Partners Alliance, Inc.
Indianapolis, Indiana

We have audited the financial statements of Smart Partners Alliance, Inc. (Organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated February 21, 2009. 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 the Organization'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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 the Organization'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 the Organization'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 governing body, management and others within the Organization 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 21, 2009

BKD LLP
CPAs & Advisors

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

Board of Directors
Smart Partners Alliance, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of Smart Partners Alliance, Inc. (Organization) 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, 2008. The Organization'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 the Organization's management. Our responsibility is to express an opinion on the compliance of Smart Partners Alliance, 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 the Organization'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 the Organization's compliance with those requirements.

In our opinion, Smart Partners Alliance, 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, 2008.

Internal Control Over Compliance

The management of Smart Partners Alliance, 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 the Organization'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 the Organization'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 21, 2009

Smart Partners Alliance, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 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? ☐ 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. The Organization's major programs were:

Cluster/Program	CFDA Number
Vocation Rehabilitation	84.126A

Smart Partners Alliance, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 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. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Smart Partners Alliance, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2008

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.	

Smart Partners Alliance, Inc.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2008

Reference Number	Summary of Finding	Status
	No findings identified.	