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November 30, 2009

Board of Directors  
Alliance for Community Inclusion, Inc.  
d/b/a Fifth Freedom Network  
4606-C E. State Blvd., Ste. 102  
Fort Wayne, IN 46815

We have reviewed the audit report prepared by Krouse, Kern & Co., Inc., 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 Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, 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

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

**FORT WAYNE, INDIANA**

**Financial Statements**

**as of December 31, 2008 and 2007**

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

**TABLE OF CONTENTS**

December 31, 2008

	PAGE
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 11
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12

June 8, 2009

Board of Directors  
Alliance for Community Inclusion, Inc.  
d/b/a Fifth Freedom Network  
Fort Wayne, Indiana

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, ("Organization"), Fort Wayne, Indiana, as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of 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 U.S. generally accepted auditing standards and the standards for 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 Alliance for Community Inclusion, Inc., d/b/a Fifth Freedom Network, Fort Wayne, Indiana, as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have issued our report dated June 8, 2009 on our consideration of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Krouse, Kern & Co., Inc.*  
KROUSE, KERN & CO., INC.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Statements of Financial Position  
December 31, 2008 and 2007

<b>ASSETS</b>		<u>2008</u>	<u>2007</u>
<b><i>CURRENT ASSETS:</i></b>			
Cash and cash equivalents	\$	-	\$ 1,622
Accounts receivable		39,584	38,749
Prepaid expenses		<u>2,707</u>	<u>3,727</u>
Total Current Assets		<u>42,291</u>	<u>44,098</u>
<b><i>EQUIPMENT</i></b>			
Less: Accumulated depreciation		<u>20,637</u>	<u>17,804</u>
		<u>6,815</u>	<u>8,971</u>
Total Net Equipment		<u>13,822</u>	<u>8,833</u>
<b><i>TOTAL ASSETS</i></b>	<b>\$</b>	<b><u>56,113</u></b>	<b>\$ <u>52,931</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b><i>CURRENT LIABILITIES:</i></b>			
Accounts payable	\$	1,115	\$ 15,815
Checks drawn in excess of cash		3,800	-
Accrued payroll and taxes		2,593	2,463
Line of credit payable		<u>23,000</u>	<u>14,200</u>
Total Current Liabilities		<u>30,508</u>	<u>32,478</u>
<b><i>NET ASSETS:</i></b>			
Unrestricted		25,605	20,091
Temporarily restricted		<u>-</u>	<u>362</u>
Total Net Assets		<u>25,605</u>	<u>20,453</u>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b>\$</b>	<b><u>56,113</u></b>	<b>\$ <u>52,931</u></b>

See Notes to Financial Statements.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Statements of Activities  
for the years ended December 31, 2008 and 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
		Total		Total
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>				
Grants	\$ 199,146	\$ 199,146	\$ 189,059	\$ 189,369
Contributions and special events	2,280	2,280	4,845	4,845
Contributions - In-kind	2,501	2,501	8,068	8,068
Earned revenue	3,800	3,800	-	-
Net assets released from prior year restrictions	362	(362)	-	-
	<u>208,089</u>	<u>207,727</u>	<u>201,972</u>	<u>202,282</u>
Total Revenue, Gains and Other Support				
<b>EXPENSES:</b>				
Program	132,445	132,445	104,731	104,731
Management and General	50,962	50,962	71,063	71,063
Fundraising	19,168	19,168	20,612	20,612
	<u>202,575</u>	<u>202,575</u>	<u>196,406</u>	<u>196,406</u>
Total Expenses				
<b>CHANGE IN NET ASSETS</b>	5,514	(362)	5,566	5,876
<b>NET ASSETS, BEGINNING OF YEAR</b>	20,091	362	14,525	14,577
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 25,605</u>	<u>\$ -</u>	<u>\$ 20,091</u>	<u>\$ 20,453</u>

See Notes to Financial Statements.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

Statement of Functional Expenses  
for the year ended December 31, 2008

	Program			Management and General	Fundraising	Total
	ACT	Communication	Coalition			
<b>Expenses:</b>						
Consumable supplies	\$ 730	\$ 360	\$ 3,605	\$ 3,082	\$ 315	\$ 8,092
Equipment expense	365	283	197	995	173	2,013
Fundraising expense	-	-	150	190	963	1,303
Insurance	1,865	246	49	4,131	99	6,390
Interest	-	-	-	1,099	-	1,099
Miscellaneous	108	-	664	1,087	643	2,502
Occupancy	967	2,902	1,182	5,376	322	10,749
Personnel - wages and taxes	40,927	13,155	54,082	21,926	16,078	146,168
Professional fees	325	295	295	7,649	168	8,732
Staff training	-	-	174	15	231	420
Telephone	420	947	1,918	1,601	68	4,954
Travel	983	52	4,322	1,298	-	6,655
Sub-total	46,690	18,240	66,638	48,449	19,060	199,077
<b>Depreciation and Losses:</b>						
Depreciation	346	107	424	1,443	108	2,428
Loss on disposal of assets	-	-	-	1,070	-	1,070
<b>TOTAL EXPENSES</b>	<b>\$ 47,036</b>	<b>\$ 18,347</b>	<b>\$ 67,062</b>	<b>\$ 50,962</b>	<b>\$ 19,168</b>	<b>\$ 202,575</b>

See Notes to Financial Statements.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Statement of Functional Expenses  
for the year ended December 31, 2007

	Program			Management and General	Fundraising	Total
	ACT	Communication	Coalition			
<b>Expenses:</b>						
Consumable supplies	\$ 353	\$ 584	\$ 2,370	\$ 1,146	\$ 671	\$ 5,124
Equipment expense	435	405	550	2,224	422	4,036
Fundraising expense	-	-	-	-	1,449	1,449
Insurance	170	210	29	3,483	85	3,977
Interest	-	-	-	1,210	-	1,210
Marketing	-	-	-	3,410	-	3,410
Miscellaneous	172	189	313	361	-	1,035
Occupancy	735	1,912	920	3,260	233	7,060
Personnel - wages and taxes	23,100	17,689	43,568	39,676	16,100	140,133
Professional fees	129	159	159	8,577	109	9,133
Staff training	683	683	683	683	864	3,596
Telephone	349	1,248	1,469	1,404	115	4,585
Travel	741	168	4,166	2,208	564	7,847
Website maintenance	-	-	-	1,158	-	1,158
Sub-total	<u>26,867</u>	<u>23,247</u>	<u>54,227</u>	<u>68,800</u>	<u>20,612</u>	<u>193,753</u>
Depreciation	<u>47</u>	<u>-</u>	<u>343</u>	<u>2,263</u>	<u>-</u>	<u>2,653</u>
<b>TOTAL EXPENSES</b>	<b>\$ 26,914</b>	<b>\$ 23,247</b>	<b>\$ 54,570</b>	<b>\$ 71,063</b>	<b>\$ 20,612</b>	<b>\$ 196,406</b>

See Notes to Financial Statements.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Statements of Cash Flows  
for the years ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,152	\$ 5,876
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows From Operating Activities:		
Depreciation	2,428	2,653
Loss on disposal of equipment	1,070	-
Changes in Operating Assets and Liabilities:		
Receivables	(835)	(8,056)
Prepaid expenses	1,020	(2,637)
Accounts payable	(14,700)	15,142
Checks drawn in excess of cash	3,800	-
Accrued expenses	130	155
	(1,935)	13,133
Net Cash Flows From Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(8,487)	(6,323)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net advances from (payments on) line of credit	8,800	(5,800)
Net increase (decrease) in cash and cash equivalents	(1,622)	1,010
Cash and cash equivalents at beginning of year	1,622	612
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ -	\$ 1,622
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ 1,099	\$ 1,210
Donated materials, professional services and equipment	\$ 2,501	\$ 8,068
Cash and cash equivalents at year-end are detailed as follows:		
Cash and cash equivalents - unrestricted	\$ -	\$ 1,260
Cash and cash equivalents - temporarily restricted	-	362
	\$ -	\$ 1,622

See Notes to Financial Statements.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Notes to Financial Statements

**NOTE 1. NATURE OF ACTIVITIES**

Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network (the "Organization") is a nonprofit organization operating independently since 2004. The Organization is dedicated to changing policies and institutions that limit the full societal inclusion of people with disabilities in Indiana. The Organization receives the majority of its support from a federal pass-through grant from the state of Indiana.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***BASIS OF ACCOUNTING:***

The financial statements for the Organization have been prepared on the accrual basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

***BASIS OF PRESENTATION:***

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

**Unrestricted Net Assets:**

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

**Temporarily Restricted Net Assets:**

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Notes to Financial Statements (Continued)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***USE OF ESTIMATES:***

The preparation of financial statements in conformity with generally accepted accounting principles 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.

***INCOME TAX STATUS:***

The Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction limitation. Therefore, no provision for income taxes has been provided.

***CONTRIBUTIONS:***

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***GRANTS:***

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Notes to Financial Statements (Continued)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***CASH AND CASH EQUIVALENTS:***

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

***ACCOUNTS RECEIVABLE:***

Accounts receivable represent expense reimbursements due from the State of Indiana's Governor's Planning Council for People with Disabilities and other partnering organizations. Management believes the accounts receivable at December 31, 2008 and 2007 to be fully collectible and therefore no allowance for uncollectible accounts has been made.

***EQUIPMENT:***

Depreciation is computed over the estimated useful life of the assets using the straight-line method. Acquisitions of property and equipment in excess of \$120 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

***IN-KIND DONATIONS:***

Donated services, which create or enhance financial assets and which would otherwise be purchased, materials, and equipment are recorded at their fair market value as of the date received and recorded in the statement of activities. The Organization receives a substantial amount of donated time from community-based volunteers. The value of these services, as determined by the State of Indiana Governor's Planning Council for People with Disabilities, was \$143,688 and \$81,124 as of December 31, 2008 and 2007, respectively. These services did not meet the requirements for revenue recognition under Statement of Financial Accounting Standards No. 116 "Accounting for Contributions Received and Contributions Made" and have not been recorded in the financial statements of the Organization. Had the above in-kind services been included in the financial statements, the expense allocation percentages would be as follows; 80% program, 15% management and general and 5% fundraising for 2008 and 67% program, 26% management and general and 7% fundraising for 2007.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

**Notes to Financial Statements (Continued)**

**NOTE 3. ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

Program – Includes the functions necessary to promote and fulfill the Organization’s mission.

Management and General – Includes the functions necessary for management and overall direction of the Organization.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

**NOTE 4. CONCENTRATION OF REVENUE SOURCES**

Approximately 96% and 91% of the Organization’s revenue and support is derived from a federal pass-through grant from the State of Indiana Governor’s Planning Council for People with Disabilities as of December 31, 2008 and 2007, respectively. A significant reduction in the level of this support, if it were to occur, may have an effect on the operations of the Organization.

**NOTE 5. LINE OF CREDIT**

The Organization has entered into an agreement with Lake City Bank for a revolving line of credit in the amount of \$25,000. The line of credit bears interest at the Bank’s base rate plus 1.75% (5.0% as of December 31, 2008 and 9.0% as of December 31, 2007), and is secured by accounts receivable, contract rights, inventory, equipment and general intangibles. The outstanding balance was \$23,000 and \$14,200 as of December 31, 2008 and 2007, respectively.

**NOTE 6. OPERATING LEASES**

The Organization leased office space under an operating lease that expired on December 31, 2008. The agreement required monthly payments of \$475. The Organization also rented parking space, meeting space, and equipment on an as needed basis throughout the year.

In 2008, the Organization entered into an agreement to lease office space at a new location. The agreement expires in 2013 and requires monthly payments from \$925 - \$1,025. Rent expense for the years ended December 31, 2008 and 2007 was \$8,242 and \$6,367, respectively.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.**  
**d/b/a FIFTH FREEDOM NETWORK**

Notes to Financial Statements (Continued)

**NOTE 6. OPERATING LEASES (Continued)**

Future minimum lease payments under noncancellable operating leases having an initial term in excess of one year as of December 31, 2008 are:

2009	\$	11,700
2010		11,700
2011		11,700
2012		12,000
2013		<u>12,300</u>
	<u>\$</u>	<u>59,400</u>

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from prior years restrictions for the following purpose for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Communication Access Realtime Transcription (CART)	<u>\$ 362</u>	<u>\$ -</u>

Net assets were available for the following purpose as of December 31:

	<u>2008</u>	<u>2007</u>
Communication Access Realtime Transcription (CART)	<u>\$ -</u>	<u>\$ 362</u>

June 8, 2009

Board of Directors  
Alliance for Community Inclusion, Inc.  
d/b/a Fifth Freedom Network  
Fort Wayne, Indiana

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network'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 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.

*Krouse, Kern & Co., Inc.*  
KROUSE, KERN & CO., INC.