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December 31, 2009

Board of Directors
Indiana Communities for
Drug-Free Youth, Inc.
1101 S. 13th St.
Terre Haute, IN 47802

We have reviewed the audit report prepared by Larsson, Woodyard & Henson, LLP, Independent Public Accountants, for the period January 1, 2005 to December 31, 2005. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indiana Communities for Drug-Free Youth, Inc., as of December 31, 2005, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. Pages 23 through 27 contain five current audit findings. Pages 28 through 32 contain the status of six prior audit findings. Management's corrective action plan is on pages 33 through 35.

STATE BOARD OF ACCOUNTS

INDIANA COMMUNITIES
FOR DRUG-FREE YOUTH, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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Larsson Woodyard & Henson, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Communities for Drug-Free Youth, Inc.
Terre Haute, Indiana

We have audited the accompanying statement of financial position of the Indiana Communities for Drug-Free Youth, Inc. (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Communities for Drug-Free Youth, Inc. as of December 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 29, 2008 on our consideration of Indiana Communities for Drug-Free Youth, Inc.'s internal control over financial reporting and on 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 read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Larsson Woodyard + Henson, LLP

Paris, Illinois
February 29, 2008

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2005

ASSETS

Current Assets:

Cash	\$ 45,362
Accounts receivable - grants	139,117

Total Current Assets 184,479

Beneficial interest in assets held by others 58,192

Property and equipment, net 189,657

Total Assets \$ 432,328

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable - trade	\$ 7,972
Accounts payable - employee	3,635
Accrued wages	5,297
Accrued and withheld payroll taxes	23,914
Interest payable	782
Line of credit	99,000
Grants payable	103,228
Advances from related parties	35,786
Current portion of long-term debt	3,302

Total Current Liabilities 282,916

LONG-TERM DEBT, net of current portion 7,652

Net Assets:

Unrestricted 141,760

Total Net Assets 141,760

Total Liabilities and Net Assets \$ 432,328

The accompanying notes are an integral part of these financial statements.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Unrestricted Revenues, Gains and Other Support:	
Revenues, gains and other support:	
Contributions	\$ 6,127
Grant revenues	991,577
Rental income	9,900
Investment income	237
Increase in beneficial interest in assets held by others	2,972
Fundraising income	4,048
Other revenue	1,427
	1,427
Total unrestricted revenues, gains and other support	1,016,288
Expenses:	
Program services	
Afternoons R.O.C.K.	565,917
Tobacco Prevention and Cessation	165,443
Mentoring Children of Promise	127,687
Prevention - Moderate Risk Youth	104,348
SAFE Kids	15,859
Teen Court	11,982
Youth as Resources	53,615
Support services	
Management and general	40,767
Fundraising	0
	0
Total expenses	1,085,618
Change in Unrestricted Net Assets	(69,330)
Unrestricted Net Assets at Beginning of Year	211,090
Unrestricted Net Assets at End of Year	\$ 141,760

The accompanying notes are an integral part of these financial statements.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2005

	Program			
	Afternoons R.O.C.K.	Tobacco Prevention and Cessation	Mentoring Children of Promise	Prevention - Moderate Risk Youth
Salaries and wages	\$ 105,387	\$ 68,075	\$ 84,686	\$ 45,621
Payroll taxes	8,687	5,528	7,155	3,901
Employee benefits	13,559	3,982	8,041	870
Penalties on payroll taxes	0	0	0	0
Directors and staff meeting expense	2,768	1,329	615	308
Dues and subscriptions	2,653	1,068	534	267
Employee training and conferences	3,555	1,670	790	395
Grants to others	0	0	0	2,000
Insurance	4,765	2,119	1,059	530
Interest expense and finance charges	2,243	997	498	249
Leased equipment	2,477	1,100	550	275
Occupancy	4,190	1,863	931	466
Office supplies	1,708	997	380	190
Other	2,545	1,501	566	283
Postage and delivery	1,103	489	245	122
Professional fees	507	225	113	56
Program supplies and expenses	12,771	22,615	15,659	47,657
Rents	0	1,650	0	0
Repairs and maintenance	1,374	691	306	153
Subcontractor payments	384,780	39,421	0	0
Telephone and communication	4,788	3,937	1,864	332
Travel and transportation	1,188	4,022	2,613	132
Total Expenses				
before Depreciation	561,048	163,279	126,605	103,807
Depreciation	4,869	2,164	1,082	541
Total expenses	<u>\$ 565,917</u>	<u>\$ 165,443</u>	<u>\$ 127,687</u>	<u>\$ 104,348</u>

The accompanying notes are an integral part of these financial statements.

SAFE Kids	Teen Court	Youth as Resources	Support Services		Total Agency
			Management and General	Fundraising	
\$ 4,719	\$ 4,719	\$ 11,541	\$ 24,359	\$ 0	\$ 349,107
411	411	974	2,051	0	29,118
870	870	870	870	0	29,932
0	0	0	7,716	0	7,716
308	368	398	308	0	6,402
267	267	267	267	0	5,590
395	1,005	395	395	0	8,600
0	0	32,123	0	0	34,123
530	530	530	530	0	10,593
249	249	249	1,064	0	5,798
275	275	275	275	0	5,502
466	466	466	466	0	9,314
190	247	190	190	0	4,092
283	283	283	283	0	6,027
122	122	122	122	0	2,447
56	56	2,807	56	0	3,876
5,560	657	667	657	0	106,243
0	0	0	0	0	1,650
153	153	153	153	0	3,136
0	0	0	0	0	424,201
332	532	632	332	0	12,749
132	231	132	132	0	8,582
15,318	11,441	53,074	40,226	0	1,074,798
541	541	541	541	0	10,820
<u>\$ 15,859</u>	<u>\$ 11,982</u>	<u>\$ 53,615</u>	<u>\$ 40,767</u>	<u>\$ 0</u>	<u>\$ 1,085,618</u>

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

Cash flows from operating activities:	
Decrease in net assets	(\$ 69,330)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,820
Change in beneficial interest	(1,518)
(Increase) decrease in current assets:	
Accounts receivable - grants	229,115
Increase (decrease) in current liabilities:	
Accounts payable	(3,537)
Accrued expenses	(18,494)
Grants payable	(162,010)
Net cash used in operating activities	<u>(14,954)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(15,644)</u>
Net cash used in investing activities	<u>(15,644)</u>
Cash flows from financing activities:	
Proceeds from line of credit	(245,218)
Repayment of line of credit	279,000
Payments on long-term debt	(2,735)
Advances repaid to related parties	(34,585)
Net cash used in financing activities	<u>(3,538)</u>
Net decrease in cash and cash equivalents	(34,136)
Cash and cash equivalents at Beginning of Year	<u>79,498</u>
Cash and cash equivalents at End of Year	<u><u>\$ 45,362</u></u>
Supplemental Information:	
Additional Cash Flows Information:	
Cash paid for interest	<u><u>\$ 5,251</u></u>

The accompanying notes are an integral part of these financial statements.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies

Organization

Indiana Communities for Drug-Free Youth, Inc. (the Organization) is a not-for-profit corporation organized for the purpose of establishing and operating a substance abuse prevention service for moderate-risk youth, by promoting awareness of the problem, establishing guidelines for parents and citizens, alerting members of the community to symptoms of alcohol and drug abuse and providing information on alternatives and referrals for professional assistance. It services the entire State of Indiana, with offices in Vigo County.

The Organization receives grants from various State of Indiana, Federal and local agencies to carry out its purpose and operates under the name, CHANCES for Indiana Youth.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation and Net Assets

The financial statements of the Organization are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board Statement of Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made" and SFAS No. 117 "Financial Statements of Not-for-Profit Organizations."

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The Indiana Communities for Drug-Free Youth, Inc. therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

The Organization has no temporarily or permanently restricted net assets.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies, Continued

Restricted and Unrestricted Support

Contributions received are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to Indiana Communities for Drug-Free Youth, Inc. are considered available for unrestricted use unless specifically restricted by the donor.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received.

Donations In-Kind

Material donations-in-kind received by the Organization are recorded as income along with a corresponding charge to expense or capitalized cost. There were no material in-kind donations during the year ended December 31, 2005.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of three to fifty years have been used in the determination of depreciation expense. Assets acquired in excess of \$500 per item are carried at cost less accumulated depreciation. Assets acquired at less than \$500 per item are treated as ordinary expenditures.

Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies, Concluded

Property and Equipment, concluded

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Indiana Communities for Drug-Free Youth, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During 2005, advertising costs totaled \$0.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all investment instruments purchased with a maturity or three months or less to be cash equivalents. At December 31, 2005, there were none.

Note B. Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note B. Description of Program and Supporting Services, Continued

Afternoons R.O.C.K. in Indiana

Afternoons R.O.C.K. teaches focus and supportive prevention activities that are designed to teach youth about social and media influences, conflict resolution and refusal/resistance skills, gang prevention, and the structuring of leisure time to be free of alcohol, tobacco and other drug use. Afternoons R.O.C.K. in Indiana is designed to be fun and captivating for the youth rather than additional school after school hours. CHANCES for Indiana Youth serves 18 counties for this program.

Tobacco Prevention and Cessation Programs

Tobacco Prevention and Cessation Programs are designed to change the cultural and social acceptability of tobacco use in Indiana, prevent initiation of tobacco use by Indiana Youth, assist tobacco users in cessation, assist in reduction and protection from environmental tobacco smoke, support the enforcement of tobacco laws concerning the sale of tobacco to youth and use of tobacco by youth, eliminate minority health disparities related to tobacco use, and emphasize prevention and reduction of tobacco by at-risk populations.

Mentoring Children of Promise

The Mentoring Children of Promise program services youths with an incarcerated parent. The goal is to provide stabilizing influences in the lives of youth with an incarcerated parent by promoting a trusting, caring relationship with an adult mentor. Each child is paired with a mentor, and some pairs have been together for two years. During 2004, Vigo County was served. Additional counties were served in 2005 and 2006.

Prevention - Moderate Risk Youth

These programs focus on providing students with prevention and intervention tools to deal with issues relating to alcohol and other drugs. Among these programs, Students Against Drunk Driving (SADD) deals with issues students face from their peers and how to deal with these situations, such as underage drinking or impaired driving. The State Incentive Grant funds (SIG) grass-roots programs focuses on the students in family units with risks of substance abuse-related crimes and behavioral problem. The programs focus on reducing youth access to alcohol and tobacco, reducing alcohol, tobacco and other drug-use in families.

Vigo County Safe Kids

The Vigo County Safe Kids program helps youth live and play safely through home, playground, pedestrian, and bicycle safety, car seat programs, certified child passenger safety technicians, and bike helmet programs.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note B. Description of Program and Supporting Services, Concluded

CHANCES Teen Court

Teen Court is a program targeted at first-time youth offenders and is designed as an alternative for adolescents meeting certain eligibility requirements. In a real courtroom, a constructive sentence is given to the offending youth through a process utilizing teenage attorneys and jurors, giving a true definition of "jury of your peers."

Youth as Resources

Youth As Resources provides young people with the financial means to complete projects that better their classrooms, schools, and communities. Grants are offered monthly and are simple to apply for. Youth groups complete a paper application and then make a presentation describing their project further to a board of volunteers. These volunteers then decide which projects are funded.

Note C. Accounts Receivable - Grants

Accounts receivable - grants represent amounts due from various state and local government agencies for services provided. A detail of these unsecured receivables as of December 31, 2005 is presented below:

Indiana Family & Social Services Administration -	
SAPT Block Grant - Afternoons R.O.C.K.	\$ 101,200
Youth Services Bureau Grant	2,917
Vigo County, Indiana -	
SADD	<u>35,000</u>
	<u>\$ 139,117</u>

All amounts were received subsequent to the year-end.

Note D. Property and Equipment

Property and equipment as of December 31, 2005 consist of the following:

Land	\$ 1,000
Building and leasehold improvements	197,162
Equipment	43,522
Vehicles	<u>15,700</u>
Total	257,384
Accumulated depreciation	<u>(67,727)</u>
Property and equipment, net	<u>\$ 189,657</u>

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note D. Property and Equipment, Concluded

Depreciation expense for the year ended December 31, 2005 computed under the straight line method amounted to:

Depreciation expense	<u>\$ 10,820</u>
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Note E. Compensated Absences

Employees of the Organization are entitled to paid vacation leave depending on length of service and other factors. Employees generally use the vacation pay in the year earned. Employees are also entitled to paid sick leave if earned and if they are an employee on December 31. At December 31, 2005, all amounts payable on December 31, 2005 have been paid so there is no accumulated vacation or sick leave.

Note F. Line of Credit

The Organization has a \$100,000 revolving line of credit with First Financial Bank, which requires monthly interest payments at an initial rate of 6.25%, adjusted quarterly to prime plus 1.25%. The note is secured by real estate. The Organization had \$1,000 available under the line of credit at December 31, 2005.

Note G. Grants Payable

Grants payable consist of amounts awarded at December 31, 2005, but not paid, to local groups under the Afternoons R.O.C.K. (\$98,500) and the Tobacco Prevention and Cessation (\$4,728) Programs. All amounts were paid in the subsequent year.

Note H. Advances from Related Parties

Advances from related parties represents the balances owed to officers and employees for short-term informal loans advanced to the Organization. The amount is non-interest bearing with no formal repayment terms.

Note I. Long-term Debt

Long-term debt represents an auto loan dated February, 2004 with a monthly payment of \$325.02, including interest at 9%, through February, 2009.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note I. Long-term Debt, Continued

Principal maturities on this note payable are as follows for the years ending December 31:

2006	\$	3,302
2007		3,348
2008		3,661
2009		643
	\$	10,954

Note J. Economic Dependency

The Indiana Communities for Drug-Free Youth, Inc. depends significantly on funding for services from the following entity to carry out its program activities:

	2005 Revenue	% Total Revenue
Indiana Family and Social Services Administration	\$ 564,000	55.50%

Note K. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of unsecured cash. The Organization's deposits at each financial institution are insured by the Federal Insurance Deposit Insurance Corporation (FDIC) up to \$100,000. From time to time, the Organization's deposits significantly exceed the insured limits.

Note L. Contributed Support

The Organization receives services donated by its members in carrying out the Organization's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Note M. Fundraising Activities

The following is a summary of fundraising activities for the year ended December 31, 2005:

Fundraising income	\$	4,048
Fundraising expenses		0
Net fundraising revenue	\$	4,048

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note N. Beneficial Interest in Assets Held by Others

The Indiana Communities for Drug-Free Youth has established a designated endowment fund with the Wabash Valley Community Foundation. The purpose of the Fund is to provide support to Indiana Communities for Drug-Free Youth, Inc. to carry out its role and mission as described by its governing documents.

Indiana Communities for Drug-Free Youth, Inc. transferred funds irrevocably to the Foundation to establish the Fund. The funds are not held in a separate trust and The Foundation was granted variance power over these funds. The variance power enables the Foundation to modify any restriction or condition on the distribution of funds, if in the Foundation's judgment such a restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community and are served. The annual net earnings allocable to this Fund will eventually be distributed to Indiana Communities for Drug-Free Youth, Inc.

Note O. Operating Leases - Lessors

The Organization leases office space at 444 South 6th Street, Terre Haute, Indiana to High Ground Digital for \$1,100 per month on a month-to month basis. Rental income for the year ended December 31, 2005 was \$9,900 and no provision has been made for unpaid rents of \$4,400 since there is no formal lease agreement.

Note P. Operating Leases - Lessee

The Organization leases office space for its Tobacco Programs for \$150 per month on a month-to month basis. Rental expense for the year ended December 31, 2005 was \$1,650.

Note Q. Related Party Transactions

The Organization pays stipends to board members and their family members who are mentors in the Mentoring Children of Promise program. During the year ended December 31, 2005, these program expenses totaled \$900.

The former Executive Director made unrestricted donations of \$5,160 during the year ended December 31, 2005.

Note R. Subsequent Events

In February 2007, a new line of credit agreement was entered with First Financial Bank. The amount and terms, except for the interest calculation, are the same as described in Note F above. The initial interest rate the new agreement was 9%, which is adjusted daily to prime plus 0.75%.

The Organization is terminating its lease with High Ground Digital as of March 31, 2008.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note R. Subsequent Events, Concluded

Beginning on April 8, 2008, the Organization entered into a one year noncancelable real estate lease with the Terre Haute City Parks and Recreation Board to use a multi-purpose community center commonly known as the Booker T. Washington Park Community Center. In exchange for a dollar on commencement of the lease, a monthly utility reimbursement of \$250 and the maintenance of minimum liability insurance coverage as outlined in the agreement, CHANCES has a facility to provide programming consistent with its mission provided that said programming is not denied to any member of the general community on the basis of race, religion, sex, age, national origin or hardship, special needs or living situation. The lease includes an option to renew the lease annually, or prior to the expiration of the initial term, a longer lease term can be negotiated if both parties so desire. To avoid perceived conflicts of interest, the resignations of three board members have been accepted since this agreement was signed.

SINGLE AUDIT SECTION

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Indiana Family & Social Services Administration -			
Division of Mental Health:			
Primary Prevention - Afternoons R.O.C.K.	93.959	84-05-AP-2065 and 84-06-AP-2065	\$ 564,000
Pass-through programs from:			
C.H.O.I.C.E.S., Inc.			
Mentoring Children of Prisoners	93.616		60,962
Indiana Youth Services Association, Inc.			
Mentoring Children of Prisoners	93.616		29,561
U. S. Department of Transportation:			
Pass-through programs from:			
Vigo County, Indiana:			
Indiana Statewide SADD	20.601	J8 02-03-4-2	<u>113,523</u>
Total expenditures of federal awards			<u>\$ 768,046</u>

See accompanying notes to schedule of expenditures of federal awards.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of federal Awards includes the federal grant activity of Indiana Communities for Drug-Free Youth, 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 preparation of, the basic financial statements.

Note B. Risk-Based Audit Approach

The Organization has only one program, which is a Type A program, the dollar threshold of which exceeds \$300,000. The Organization does not qualify as a low-risk auditee.

Note C. Subrecipients

The Organization provided federal awards to subrecipients totaling \$376,680.



Larsson Woodyard & Henson, LLP
Certified Public Accountants

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

To the Board of Directors
Indiana Communities for Drug-Free Youth, Inc.
Terre Haute, Indiana

We have audited the financial statements of Indiana Communities for Drug-Free Youth, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indiana Communities for Drug-Free Youth, Inc.'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 Indiana Communities for Drug-Free Youth, Inc.'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.

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

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 05-1 and 05-2.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Indiana Communities for Drug-Free Youth, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 management of Indiana Communities for Drug-Free Youth, Inc. in a separate letter dated February 29, 2008.

Indiana Communities for Drug-Free Youth, Inc.'s response to the findings identified in our audit is described in the accompany schedule of findings and questioned costs. We did not audit Indiana Communities for Drug-Free Youth, Inc.'s response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Director's, 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.

Larsson Woodyard + Henson, LLP

Paris, Illinois
February 29, 2008



Larsson Woodyard & Henson, LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Indiana Communities for Drug-Free Youth, Inc.
Terre Haute, Indiana

Compliance

We have audited the compliance of Indiana Communities for Drug-Free Youth, Inc. 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, 2005. Indiana Communities for Drug-Free Youth, Inc.'s major federal programs are identified in the summary of auditors' 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 Indiana Communities for Drug-Free Youth, Inc.'s management. Our responsibility is to express an opinion on Indiana Communities for Drug-Free Youth, Inc.'s compliance 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 Indiana Communities for Drug-Free Youth, Inc.'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 of Indiana Communities for Drug-Free Youth, Inc.'s compliance with those requirements.

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In our opinion, Indiana Communities for Drug-Free Youth, 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1, 05-2, 05-3, 05-4, and 05-5.

Internal Control Over Compliance

The management of Indiana Communities for Drug-Free Youth, 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 Indiana Communities for Drug-Free Youth, Inc.'s internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the 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.

Larsson Woodyard + Henson, LLP

Paris, Illinois
February 29, 2008

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Indiana Communities for Drug-Free Youth, Inc.
2. Five reportable conditions disclosed during the audit of the financial statements are reported in the Report of Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Two of the reportable conditions are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Indiana Communities for Drug-Free Youth, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were two reportable condition disclosed during the audit of internal control over major federal award programs. These reportable conditions are not considered to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for Indiana Communities for Drug-Free Youth, Inc. expresses an unqualified opinion on the Organization's major program.
6. Audit findings relative to the major federal award program for Indiana Communities for Drug-Free Youth, Inc. are reported in this schedule.
7. The program tested as a major program was "Primary Prevention - Afternoons R.O.C.K." (CFDA #93.959).
8. The Organization has only one major program; threshold for Type A program is \$300,000.
9. Indiana Communities for Drug-Free Youth, Inc. does not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Conditions

05-1 Segregation of Duties (Considered a Significant Deficiency)

Condition:

The Organization does not have an adequate segregation of accounting duties.

Criteria:

Adequate segregation of accounting duties is needed to reduce the risk that errors will go unnoticed and uncorrected.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

FINDINGS – FINANCIAL STATEMENT AUDIT, Continued

05-1 Segregation of Duties (Considered a Significant Deficiency), Concluded

Effect:

Numerous errors in recording transactions have occurred during the year, and were not corrected.

Cause:

The small size of the staff limits its ability to segregate duties among employees, and board oversight has not mitigated this condition.

Recommendation:

It is recommended that the Board of Directors direct its oversight to a regular review of the accounting functions through monthly meetings at which internally prepared financial statements are presented.

05-2 Board of Directors Oversight (Considered a Significant Deficiency)

Condition:

Adequate procedures are not in place with respect to the Board of Directors' oversight of internal control functions. The Board of Directors does not meet regularly and the Board's responsibilities are not clearly identified.

Criteria:

Procedures and responsibilities should be in place to provide assurance that the Organization's internal control functions are effective. This is crucial due to the lack of segregation of duties and limited personnel.

Effect:

During the year, formal minutes could only be located for three months. The board meetings are not held on a regular basis; consequently, topics and issues that require board action are not being made on a timely basis and sometimes not at all.

Cause:

The Board of Directors consists of individuals who volunteer their time to serve on the Board. Lack of attendance and participation are problems with several board members.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

FINDINGS – FINANCIAL STATEMENT AUDIT, Continued

05-2 Board of Directors Oversight (Considered a Significant Deficiency), Concluded

Recommendation:

The Board of Directors constitutes a critical component of the Organization. It is imperative that the members of the Board accept the responsibilities and commitment to ensure that the personnel have adequate oversight and that the internal control functions are effective.

Recommendation (Concluded):

We recommend regular attendance and participation at board meetings, familiarity with the Organization's goals and mission, and adequate review of financial and operational activities of the Organization. Written minutes should be prepared for each meeting and should include detail about discussions, decisions, and authorizations of the Board and should be made available to Board members prior to each meeting.

05-3 General Ledger Function

Condition:

Adequate procedures are not in place with respect to the maintenance of a general ledger.

Criteria:

Procedures should be in place to provide assurance that subsidiary account totals are balanced and posted to a general ledger in a timely manner.

Effect:

During the year, numerous bookkeeping errors were made in the recording of transactions, particularly in the cash account. The maintenance of a general ledger, with balances reconciled to subsidiary accounts, would provide a means of identifying the errors.

Cause:

The bookkeeping function and qualification of the personnel has not kept up with the rapid growth of the Organization.

Recommendation:

Every effort should be made to monitor transactions, particularly disbursements, for recording errors and omissions. The Organization should arrange for training in general ledger bookkeeping for its clerical staff, or engage outside assistance for its monthly bookkeeping services.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

FINDINGS - FINANCIAL STATEMENT AUDIT, Concluded

05-4 Filing System

Condition:

The filing system as presently maintained is inadequate to readily support cash receipts and disbursements.

Criteria:

Sound accounting practices dictate that an adequate filing system be maintained so that support for receipts and expenditures can be readily referenced.

Effect:

Difficulty in locating support for both receipts and expenditures resulted in delays and time-consuming searches for documents.

Cause:

Personnel turnover in the accounting area was partially responsible. Additionally, it appears that this function has not been given priority.

Recommendation:

It is recommended that every check written, every payable, and all cash receipts be evidenced by support which is properly cancelled and appropriately filed in a timely manner. It is also recommended that function be monitored by the executive director, with adequate board oversight.

FINDINGS - FINANCIAL STATEMENT AUDIT - FEDERAL AWARDS

05-5 Annual Audit

Condition:

Annual audits are not current.

Criteria:

An annual audit is required by an independent certified audit firm within six months following the close of the Organization's fiscal year for many of the grant contracts.

Effect:

Without adequate financial records, excessive time is spent at year end in preparing and auditing the statements.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

FINDINGS - FINANCIAL STATEMENT AUDIT - FEDERAL AWARDS, Concluded

05-5 Annual Audit, Concluded

Cause:

During the planning phase of the Organization's rapid growth, attention was not given to the needs of the accounting department. Although a qualified bookkeeper was subsequently hired, the past books and records were unauditible. Undue pressure, therefore, was created on the new bookkeeper to recreate past accounting records and locate the supporting documentation while keeping up with the current accounting needs.

Recommendation:

All past due independent audits should be completed no later than June 30, 2008.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Conditions

04-1 Segregation of Duties (Considered a Material Weakness)

Condition:

The Organization does not have an adequate segregation of accounting duties.

Criteria:

Adequate segregation of accounting duties is needed to reduce the risk that errors will go unnoticed and uncorrected.

Effect:

Numerous errors in recording transactions have occurred during the year, and were not corrected.

Cause:

The small size of the staff limits its ability to segregate duties among employees, and board oversight has not mitigated this condition.

Recommendation:

It is recommended that the Board of Directors direct its oversight to a regular review of the accounting functions through monthly meetings at which internally prepared financial statements are presented.

04-2 Board of Directors Oversight (Considered a Material Weakness)

Condition:

Adequate procedures are not in place with respect to the Board of Directors' oversight of internal control functions. The Board of Directors does not meet regularly and the Board's responsibilities are not clearly identified.

Criteria:

Procedures and responsibilities should be in place to provide assurance that the Organization's internal control functions are effective. This is crucial due to the lack of segregation of duties and limited personnel.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2005

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT, Continued

04-2 Board of Directors Oversight (Considered a Material Weakness), Concluded

Effect:

During the year, formal minutes could only be located for two months. The board meetings are not held on a regular basis; consequently, topics and issues that require board action are not being made on a timely basis and sometimes not at all.

Cause:

The Board of Directors consists of individuals who volunteer their time to serve on the Board. Lack of attendance and participation are problems with several board members.

Recommendation:

The Board of Directors constitutes a critical component of the Organization. It is imperative that the members of the Board accept the responsibilities and commitment to ensure that the personnel have adequate oversight and that the internal control functions are effective.

We recommend regular attendance and participation at board meetings, familiarity with the Organization's goals and mission, and adequate review of financial and operational activities of the Organization. Written minutes should be prepared for each meeting and should include detail about discussions, decisions, and authorizations of the Board and should be made available to Board members prior to each meeting.

04-3 General Ledger Function

Condition:

Adequate procedures are not in place with respect to the maintenance of a general ledger.

Criteria:

Procedures should be in place to provide assurance that subsidiary account totals are balanced and posted to a general ledger in a timely manner.

Effect:

During the year, numerous bookkeeping errors were made in the recording of transactions, particularly in the cash account. The maintenance of a general ledger, with balances reconciled to subsidiary accounts, would provide a means of identifying the errors.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT, Continued

04-3 General Ledger Function, Concluded

Cause:

The bookkeeping function and qualification of the personnel has not kept up with the rapid growth of the Organization.

Recommendation:

Every effort should be made to monitor transactions, particularly disbursements, for recording errors and omissions. The Organization should arrange for training in general ledger bookkeeping for its clerical staff, or engage outside assistance for its monthly bookkeeping services.

04-4 Filing System

Condition:

The filing system as presently maintained is inadequate to readily support cash receipts and disbursements.

Criteria:

Sound accounting practices dictate that an adequate filing system be maintained so that support for receipts and expenditures can be readily referenced.

Effect:

Difficulty in locating support for both receipts and expenditures resulted in delays and time-consuming searches for documents.

Cause:

Personnel turnover in the accounting area was partially responsible. Additionally, it appears that this function has not been given priority.

Recommendation:

It is recommended that every check written, every payable, and all cash receipts be evidenced by support which is properly cancelled and appropriately filed in a timely manner. It is also recommended that function be monitored by the executive director, with adequate board oversight.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT, Continued

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT - FEDERAL AWARDS

04-5 Entity Annual Report

Condition:

Entity Annual Report was not filed in a timely manner.

Criteria:

Contract #84-1-SA-2065A, #84-1-SA-0344 and #84-02-SA-2065 require that an "Entity Annual Report" be timely filed with the Indiana State Board of Accounts.

Effect:

No effect, although this report alerts the State Board of Accounts to the audit requirements of the Organization, and should be filed each year in accordance with contract guidelines.

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT - FEDERAL AWARDS, Concluded

04-5 Entity Annual Report, concluded

Cause:

Cause was oversight.

Recommendation:

Steps are taken to alert the Organization's bookkeeper to the filing deadline.

04-6 Annual Audit

Condition:

Annual audits are not current.

Criteria:

An annual audit is required by an independent certified audit firm within six months following the close of the Organization's fiscal year for many of the grant contracts.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2005

Effect:

Without adequate financial records, excessive time is spent at year end in preparing and auditing the statements.

Cause:

During the planning phase of the Organization's rapid growth, attention was not given to the needs of the accounting department. Although a qualified bookkeeper was subsequently hired, the past books and records were unauditible. Undue pressure, therefo

Recommendation:

All past due independent audits should be completed no later than June 30, 2008.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005

CONTACT PERSONS RESPONSIBLE FOR CORRECTIVE
ACTION PLAN: BRANDON HALLECK

Finding 02-1

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that inadequate segregation of duties is limited due to the small size of the staff.

Corrective Action Planned:

The Organization will work to improve both Executive Director and Board of Director oversight with respect to internal control functions. The Executive Director will review all supporting documents and sign all checks, which additionally require the signature of another Director. Monthly reports will be available to all members of the Board of Directors.

Anticipated Completion Date: June 2006.

Finding 02-2

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that adequate Board oversight procedures were not in place with respect to internal control functions.

Corrective Action Planned:

The Organization will increase efforts to improve Board oversight, establish regularly-scheduled meetings and create procedures to monitor internal control functions.

Anticipated Completion Date: June 2006.

Finding 02-3

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that adequate procedures were not in place, with respect to the maintenance of a general ledger during the period audited.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005

Finding 02-3, Concluded

Corrective Action Planned:

The Organization will increase efforts to improve general ledger and bookkeeping functions by contracting with outside accounting consultation and hiring qualified staff to manage the general ledger.

Anticipated Completion Date: June 2006.

Finding 02-4

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that the filing system is not adequately organized to readily access supportive data.

Corrective Action Planned:

The Organization will implement the organized filing of cash receipts and disbursements.

Anticipated Completion Date: June 2006.

Finding 02-5

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that the cash deposits were not adequately insured at year-end.

Corrective Action Planned:

While impossible to have the State of Indiana deposit claims payments in less than full increments, which often exceed insurable limits, the Organization will more closely monitor deposit dates to minimize this exposure.

Anticipated Completion Date: June 2006.

INDIANA COMMUNITIES FOR DRUG-FREE YOUTH, INC.

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005

Finding 02-6

Comment:

The Organization agrees that capitalization policies should be complied with.

Corrective Action Planned:

Personnel will be reminded of the policy and required to comply with it.

Anticipated Completion Date: June 2006.

Finding 02-7

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that the Annual Entity Report was not filed on time, due to oversight of the technical coordinator.

Corrective Action Planned:

The Organization has alerted the technical coordinator to this issue and the technical coordinator and executive director will monitor compliance with this filing date.

Anticipated Completion Date: June 2006.

Finding 02-8

Comment:

Indiana Communities for Drug-Free Youth, Inc. agrees with the finding that the Audit was not completed on time, due to the condition of the accounting records.

Corrective Action Planned:

The Organization plans to hire an independent audit firm to complete all outstanding audits.

Anticipated Completion Date: December 2006.