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STATE OF INDIANA

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January 21, 2010

Board of Directors
Indianapolis Resource Center
for Independent Living, Inc.
1426 W. 29th St., Ste. 207
Indianapolis, IN 46208

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period October 1, 2007 to September 30, 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 Indianapolis Resource Center for Independent Living, Inc., as of September 30, 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.

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

STATE BOARD OF ACCOUNTS

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.

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Gauthier & Kimmerling, LLC
accountants & advisors
233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Independent Auditors' Report

To the Board of Directors
Indianapolis Resource Center for
Independent Living, Inc.
Indianapolis, Indiana

We have audited the accompanying statement of financial position of Indianapolis Resource Center for Independent Living, Inc. (IRCIL) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of IRCIL'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 the 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 IRCIL as of September 30, 2008, 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 April 30, 2009, on our consideration of IRCIL'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 considered in assessing the results of our audit.

Gauthier & Kimmerling, LLC

April 30, 2009

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008

ASSETS

Cash and cash equivalents	$	84,516
Accounts and grants receivable, net of allowance for uncollectibles of $1,092 (Note 2)		71,894
Other assets		31
Property and equipment, net of accumulated depreciation of $141,878		39,224
Total Assets	$	195,665

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	$	56,142
Accrued payroll and related liabilities		25,514
Total Liabilities		81,656
Unrestricted net assets		114,009
Total Liabilities and Net Assets	$	195,665

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

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

REVENUE	
Grants and contracts	$ 619,446
Donations	4,370
Fundraising	175
Other income	3,334
Total Revenues	627,325
EXPENSES	
Program	511,574
Administrative and general	60,534
Total Expenses	572,108
Change in net assets	55,217
Unrestricted net assets - beginning of year	58,792
Unrestricted net assets - end of year	$ 114,009

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

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program	Administrative and General	Total
Salaries and wages	$ 276,822	$ 30,758	$ 307,580
Fringe benefits	30,411	3,378	33,789
Contracted services	26,265	2,918	29,183
Occupancy	37,571	4,175	41,746
Dues and memberships	-	2,700	2,700
Insurance	5,297	589	5,886
Telephone and communications	5,774	642	6,416
Supplies	16,210	1,801	18,011
Printing and publications	36,242	4,027	40,269
Postage	4,890	543	5,433
Registrations	15,576	1,731	17,307
Travel	26,032	-	26,032
Miscellaneous	-	2,453	2,453
Accomodations	25,665	-	25,665
Depreciation	4,819	4,819	9,638
Total Functional Expenses	$ 511,574	$ 60,534	$ 572,108

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

INDIANAPOLIS RESOURCE CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	55,217
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation		9,638
Changes in assets and liabilities:		
Accounts and grants receivable		(33,351)
Accounts payable		31,181
Due to grantor		(6,704)
Accrued payroll and related liabilities		11,820
Net Cash Provided by (Used in) Operating Activities		67,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(22,826)
Net (decrease) increase in cash		44,975
Cash and cash equivalents - beginning of year		39,541
Cash and cash equivalents - end of year	$	84,516
Interest paid during the year	$	-

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

1. NATURE OF THE ORGANIZATION

Indianapolis Resource Center for Independent Living, Inc. (IRCIL) was incorporated in 1985 to provide counseling, training, advocacy services, information, and referrals to persons with disabilities in order to assist them in functioning and living independently. IRCIL has served the Greater Indianapolis Metropolitan Area in advocating on behalf of persons with disabilities, removing physical and other barriers to full access and participation in our community, and the creation of full opportunity for education, employment, and other activities of daily life.

The majority of the funding for IRCIL is provided by several grantors including Family and Social Services Administration (state agency) and United States Department of Education.

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of accounting</u> – IRCIL maintains its accounting records on the accrual basis. Grant proceeds are recorded as revenue as eligible expenditures are made and claims are submitted for reimbursement.

<u>Cash and cash equivalents</u> – For purposes of the statement of cash flows, investments with a maturity of three months or less are considered to be cash equivalents.

<u>Accounts and grants receivable</u> – Accounts and grants receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts.

<u>Contributions</u> – In accordance with *Statement of Financial Accounting Standards* (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

<u>Equipment</u> is stated at cost.

<u>Depreciation</u> is computed using the straight-line method over the estimated useful lives of three to eight years.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Net asset classification – In accordance with Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which IRCIL has full discretion as to use. Temporarily restricted net assets include net assets whose use by IRCIL is limited by donor-imposed restrictions that expire when fulfilled. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Temporarily restricted funds for which the restrictions are met in the same period in which the contribution is received are recorded as unrestricted. Permanently restricted net assets, if any, include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IRCIL.

Allowance for uncollectible accounts – The allowance for uncollectible accounts is determined by management based upon IRCIL's historical losses, specific circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when reasonable attempts to collect the receivable are deemed to have failed in accordance with the organization's collection policy. At September 30, 2008, the allowance for doubtful accounts totaled $1,092 and was primarily related to employment services programs and earned grant income receivable.

Federal and state income taxes – IRCIL has been granted an exemption from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no expense or liability for income taxes has been recognized in the accompanying financial statements.

Functional expenses – Expenses are allocated directly or indirectly to the independent living program and supporting services. Expenses that can be identified with a program or supporting service are allocated directly according to their natural classification. All remaining indirect costs are allocated using both statistical and non-statistical allocation methodologies.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Actual results may differ from these estimates.

3. OPERATING LEASES

IRCIL leases office space under a long-term lease agreement that expires on March 31, 2009. As of April 1, 2009, IRCIL leases office space on a month-to-month basis. The monthly lease payment amount is $2,150. The following is a schedule of future minimum lease payments as of September 30, 2008:

2009	$ 12,900
2010	-
2011	-
2012	-
Total	$ 12,900

Lease expense was $25,800 for the year ended September 30, 2008.

4. CONCENTRATION OF FUNDING SOURCES

For the year ended September 30, 2008, IRCIL had $378,091 in funding from one source representing approximately 60% of total revenue.

Indiana FSSA - Division of Disability, Aging and Rehabilitative Services, Passthrough OBVI	$ 140,952
Indiana FSSA - Division of Disability, Aging, and Rehabilitative Services, Contract	237,139
	$ 378,091

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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
Indianapolis Resource Center
for Independent Living, Inc.
Indianapolis, Indiana

We have audited the financial statements of Indianapolis Resource Center for Independent Living, Inc. (IRCIL) as of and for the year ended September 30, 2008, and have issued our report thereon dated April 30, 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 IRCIL'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 IRCIL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of IRCIL'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 that we consider to be a significant deficiency.

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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

Finding 08-01

During the fiscal year ending December 31, 2008, the grantee experienced a change in accounting personnel. As a result of the transition , the process of allocating costs to grant funds was changed resulting in over allocation of funds to the C=Title VII IL fund and under allocating to the Line Item fund. The error occurred because invoices were coded to the C=Title VII IL fund even if the expense was eligible for other funds. The impact was excess cost in one fund and overstatement of income in another. The process should be corrected in future periods by requiring the program director to review invoices for applicability and comparison to the grant budget simultaneously with the expense coding process.

It should be noted that the grantee made appropriate reclassification adjustments in the general ledger to correct the errors and correctly relate the financial statements to claims drawn from the grantors. This matter did not result in inappropriate submission of claim vouchers to the grantors.

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

Our consideration of the 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 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 the significant deficiency described above is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether IRCIL'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 Board of Directors, management, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier & Kinnaley, LLC

April 30, 2009