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STATE OF INDIANA

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February 1, 2010

Board of Directors
Preservation Partners, Inc.
358 E. Clinton St.
Frankfort, IN 46041

We have reviewed the audit report prepared by Girardot, Strauch & Co., 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 Preservation Partners, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. Page 8 contains two current audit findings.

STATE BOARD OF ACCOUNTS

PRESERVATION PARTNERS, INC.

AUDITED FINANCIAL STATMENTS

As of and for the Years Ended
December 31, 2008 and 2007

CONTENTS

Girardot, Strauch & Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants

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William L Lapcheska, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Preservation Partners, Inc.
Frankfort, Indiana

We have audited the accompanying balance sheet of Preservation Partners, Inc. as of December 31, 2008, and the related statements of income and retained deficit and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2007, were audited by Daniel Z. Blomeke, CPA, who merged with Girardot, Strauch &Co., P.C. as of November 1, 2008, and whose report dated May 15, 2008, expressed an unqualified opinion on those statements.

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 2008 financial statements referred to above present fairly, in all material respects, the financial position of Preservation Partners, Inc. as of December 31, 2008, and the results of its operations, changes in retained deficit, and 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 May 29, 2009, on our consideration of Preservation Partners, 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 considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Preservation Partners, Inc. taken as a whole. The accompanying schedule of findings and questioned costs and schedules of funding sources and federal, state and local grant awards are presented for purposes of additional analysis and are 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.

Girardot, Strauch & Co.

Lafayette, Indiana
May 29, 2009

PRESERVATION PARTNERS, INC.
BALANCE SHEETS
December 31, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	$ 1,438	$ 951
Accounts receivable	75,995	49,755
Prepaid expenses	7,538	8,458
Advance to stockholder	12,829	12,829
Total Current Assets	97,800	71,993
EQUIPMENT		
Equipment	32,971	33,247
Less accumulated depreciation	(32,065)	(30,552)
Total Equipment	906	2,695
	$ 98,706	$ 74,688

LIABILITIES AND STOCKHOLDER'S DEFICIT

	2008	2007
CURRENT LIABILITIES		
Accounts payable	$ 12,942	$ 12,833
Withheld taxes payable	1,017	1,351
Deferred income	25,138	18,022
Accrued expenses	27,384	32,220
Accrued compensated absences	16,172	21,159
Line of credit	21,870	25,870
Current portion of long term liabilities - stockholder	505	457
Total Current Liabilities	105,028	111,912
LONG TERM LIABILITIES		
Note payable stockholder	34,740	35,415
Total Long-Term Liabilities	34,740	35,415
STOCKHOLDER'S DEFICIT		
Common stock	500	500
Retained deficit	(41,562)	(73,139)
Total Stockholder's Deficit	(41,062)	(72,639)
	$ 98,706	$ 74,688

PRESERVATION PARTNERS, INC.
STATEMENTS OF INCOME AND RETAINED DEFICIT
For Years Ended December 31, 2008 and 2007

	2008	2007
REVENUE		
Services	$ 515,680	$ 550,598
OPERATING EXPENSE		
Wages	310,252	376,799
Payroll taxes	25,650	30,643
Health insurance	14,868	13,442
Workers' compensation	2,337	2,343
Supplies	6,498	7,156
Subcontractors	1,471	876
Travel	38,536	46,985
Telephone	8,793	10,401
Utilities	4,173	3,865
Rent	43,109	43,213
Postage	861	771
Repairs	80	1,182
Insurance	5,196	6,066
Professional	6,893	13,506
Advertising	361	405
Conferences	1,261	1,648
Interest	8,505	8,619
Contributions	0	723
Depreciation	1,789	2,440
Bad debts	0	6,055
Discrepancies	0	40
Miscellaneous	3,470	8,983
Total Operating Expenses	484,103	586,161
Net Income (loss)	31,577	(35,563)
RETAINED DEFICIT		
Beginning of year	(73,139)	(37,576)
End of year	$ (41,562)	$ (73,139)

PRESERVATION PARTNERS, INC.
STATEMENTS OF CASH FLOW
For Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 496,622	$ 558,274
Cash paid to suppliers and employees	(483,003)	(565,543)
Interest paid	(8,505)	(8,619)
Net Cash Provided (Used) by Operating Activities	5,114	(15,888)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advanced from stockholder	0	12,647
Net Cash Provided by Investing Activities	0	12,647
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing (repayment) on line of credit	(4,000)	16,370
Repay loan from stockholder	(627)	(14,128)
Net Cash Provided (Used) by Financing Activities	(4,627)	2,242
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	487	(999)
Cash and cash equivalents at beginning of year	951	1,950
Cash and cash equivalents at end of year	$ 1,438	$ 951

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2008	2007
NET INCOME (LOSS)	$ 31,577	$ (35,563)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	1,789	2,440
(INCREASE) DECREASE IN ASSETS		
Accounts receivable	(26,240)	4,569
Prepaid expenses	920	898
INCREASE (DECREASE) IN LIABILITIES		
Accounts payable	109	7,142
Withheld taxes payable	(334)	(161)
Deferred income	7,116	9,202
Accrued expenses	(4,836)	(4,107)
Accrued compensated absences	(4,987)	(308)
TOTAL ADJUSTMENTS	(26,463)	19,675
Net Cash Provided (Used) by Operating Activities	$ 5,114	$ (15,888)

See Accompanying Notes to Financial Statements

PRESERVATION PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Preservation Partners, Inc. (the "Company") is engaged in providing professional counseling services in the Clinton, Howard and Tipton County areas. During 2008 84% of the Company's revenue came from the Indiana Family and Social Services Department.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Finance charges are not assessed by the Company.

Equipment

Equipment is recorded at cost. The Company's equipment is depreciated over five-years using the double declining balance method.

Major improvements and betterments are capitalized while repairs and maintenance are charged to operations as incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Income taxes on cash net earnings are payable personally by the stockholder pursuant to an election under Subchapter S of the Internal Revenue Service Code not to have the Company taxed as a corporation. Accordingly, no provision has been made for Federal or Indiana income taxes.

LINE OF CREDIT

The company signed a multi-year line of credit agreement on August 15, 2000. Operating capital is the purpose of the $60,000 agreement. It is secured by accounts receivable, property and guaranteed by the stockholder. Interest is calculated on a daily variable rate currently at 5.5% and is payable monthly. As of December 31, 2008, $38,130 was available to be borrowed on this note.

RELATED PARTY TRANSACTIONS

The Company has an advance to, a loan from and leases office space from its' sole stockholder. The details are explained in the following notes.

ADVANCE TO STOCKHOLDER

The sole stockholder was advanced $12,829 by the Company during 2007 to help with her cash flow. This advance was made as a no interest advance and was not repaid as of December 31,2008.

NOTE PAYABLE - STOCKHOLDER

	2008	2007
Unsecured loan from the stockholder is as follows:		
Variable rate note payable (currently 7.5%), monthly payments of $261 including principal and interest, due October 2033.	$ 35,245	$ 35,872
Less current portion	(505)	(457)
Long-term portion	$ 34,740	$ 35,415

Total principal payments (advances) during the years ended December 31, 2008 and 2007 were $626 and $(872). Total interest payments during the years ended December 31, 2008 and 2007 were $2,674 and $2,838.

The following is a summary of the principal maturities of note payable – stockholder:

2009	2010	2011	2012	2013	Thereafter
$ 505	$ 544	$ 586	$ 631	$ 681	$ 32,297

LEASE

The Company signed a lease for office space on October 9, 2002 for 20 years at $1,900 per month with the lessor's right to renegotiate at any time due to the variance of the interest rate or property taxes on the property. The lease was amended on March 30, 2005 to $3,000 per month. The lessor is the stockholder of this Company. During 2008 and 2007 rent under this lease amounted to $36,000 and $36,000 respectively.

Future office space lease commitments are as follows:

2009	2010	2011	2012	2013	Thereafter
$ 36,000	$ 36,000	$ 36,000	$ 36,000	$ 36,000	$ 352,500

The Company signed a lease for a new copier on October 26, 2007 covering a five-year period. Payments are $1,010 payable quarterly plus a charge for excess copies.

Future copier lease commitments are as follows:

2009	2010	2011	2012	2013	Thereafter
$ 4,038	$ 4,038	$ 4,038	$ 3,028	$ -	$ -

COMMON STOCK

At December 31, 2008 and 2007, there were 3,000 shares authorized and 100 shares issued and outstanding.

SUPPLEMENTARY INFORMATION

PRESERVATION PARTNERS, INC.
SCHEDULES OF FUNDING SOURCES AND FEDERAL, STATE AND LOCAL GRANT AWARDS
Years ended December 31, 2008 and 2007

SOURCE	CFDA	PROGRAM	PASS THROUGH AGENCY	PASS THROUGH NUMBER	2008	2007
Federal - passed through						
HHS - Title IVB-2	93.558	Healthy Families	IN Family & Social Service	12-04/05/06-60-0455	$ 394,478	$ 407,104
				FEDERAL	394,478	407,104
Non-Federal						
Indiana		Healthy Families	IN Family & Social Service	12-09/07/08-60-0455	39,898	44,788
Tipton		Family Center Home Based			3,924	3,443
Medicaid		Medicaid			43,027	78,300
Other		Other			52,994	59,462
Medicaid and Other		Allowance			(18,641)	(42,499)
				NONFEDERAL	121,202	143,494
				TOTAL	$ 515,680	$ 550,598
			IN FAMILY & SOCIAL SERVICE		434,376	451,892
				ALL OTHERS	81,304	98,706
					$ 515,680	$ 550,598

See Independent Auditors' Report

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INDEPENDENT AUDITORS' 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
Preservation Partners, Inc.
Frankfort, Indiana

We have audited the financial statements of Preservation Partners, Inc. as of and for the year ended December 31, 2008 and have issued our report thereon dated May 29, 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 Preservations Partners, 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 the Preservation Partners, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company'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 significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 Company'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 Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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INDEPENDENT AUDITORS' 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*
(Continued)

Recording income from services provided is not done on a timely basis. Currently the information on the services provided is substantially delayed getting from the staff to the bookkeeper. This is causing billings and the subsequent collections to be delayed, increasing the need to borrow money. It also provides a possibility that revenue will be missed and never be recovered.

We assisted in the drafting of the financial statements and disclosures. Preservation Partners, Inc. does not have the expertise to prepare the financial statements and required disclosures in accordance with accounting principles generally accepted in the United States of America.

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 Company'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, of the significant deficiencies described above, we consider the lack of expertise to prepare the financial statement and required disclosures to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Preservation Partners, Inc's financial statements are free of material misstatement, we performed tests of its compliance with 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, Indiana Family and Social Services Administration, Indiana State Board of Accounts and the Department of Health and Human Services and in not intended to be and should not be used by anyone other than these specified parties.

Girardot, Strauch & Co.

Lafayette, Indiana
May 29, 2009

Girardot, Strauch & Co.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Preservation Partners, Inc.
Frankfort, Indiana

We have audited the compliance of Preservation Partners, Inc. with the types of compliance requirements that are applicable to each of its major federal programs for the year ended December 31, 2008. Preservation Partners, Inc.'s major federal programs are identified in the summary of the 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 Preservation Partners, Inc.'s management. Our responsibility is to express an opinion on Preservation Partners, Inc. compliance based on our audit.

We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about Preservation Partners, 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 Preservation Partners, Inc.'s compliance with those requirements.

In our opinion, Preservation Partners, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

<u>Internal Control Over Compliance</u>

The management of Preservation Partners, 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 Preservation Partners, Inc.'s, internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Preservation Partners Inc.'s internal control over compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of the board of directors, management, Indiana Family and Social Services Administration, Indiana State Board of Accounts and the Department of Health and Human Services and in not intended to be and should not be used by anyone other than these specified parties.

Girardot, Strauch & Co.

Lafayette, Indiana
May 29, 2009