



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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February 2, 2010

Board of Directors  
Healthy Families of  
Hamilton County, Inc.  
1355 South 8<sup>th</sup> St.  
Noblesville, IN 46060

We have reviewed the audit report prepared by Bauer & Bauer, LLC, Independent Public Accountants, for the period July 1, 2007 to June 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 Healthy Families of Hamilton County, Inc., as of June 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.

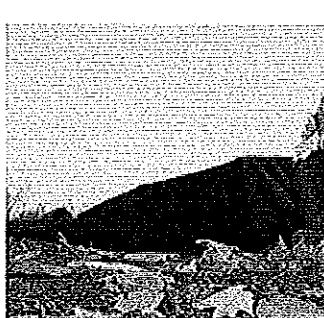
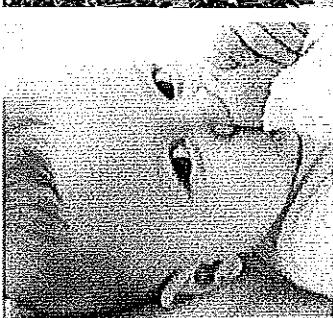
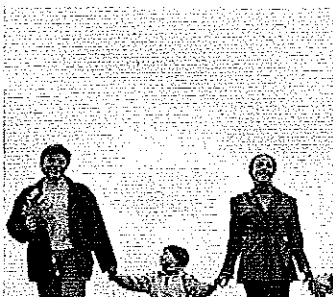
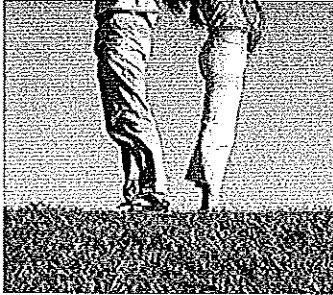
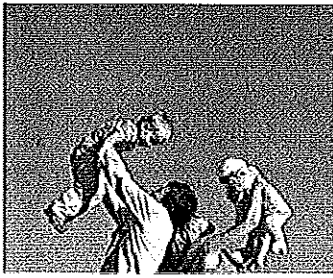
We call your attention to the findings in the report. Page 6 contains one current audit finding. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

# Healthy Families of Hamilton County

## Annual Financial and Compliance Report

June 30, 2008



JUNE 30, 2008

# Healthy Families of Hamilton County, Inc.

*Financial Statements, Compliance  
Reports and Supporting Data*

*Together with Independent Auditor's Report*



**Bauer & Bauer, LLC  
40 Executive Dr., Suite C  
Carmel, IN 46032**

JUNE 30, 2008

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**Bauer & Bauer, LLC**  
Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Healthy Families of Hamilton County, Inc.

We have audited the accompanying statement of assets, liabilities and fund balance-statutory basis of Healthy Families of Hamilton County, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities-statutory basis, functional expenses-statutory basis and cash flows-statutory basis for the year then ended. These financial statements are the responsibility of Healthy Families of Hamilton County, Inc.'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.

As described in **Note A**, these financial statements were prepared in conformity with the accounting principles prescribed by the Indiana Family and Social Services Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance-statutory basis of Healthy Families of Hamilton County, Inc. as of June 30, 2008 and the results of its revenue and expenses-statutory basis and cash flows-statutory basis for the year then ended, on the basis of accounting described in **Note A**.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Healthy Families of Hamilton County, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated October 20, 2008 on our consideration of Healthy Families of Hamilton County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Bauer & Bauer, LLC*

*George Bauer, CPA, MBA*

Carmel, Indiana  
October 20, 2008



**Bauer & Bauer, LLC**

**Certified Public Accountants**

**Independent Auditor's Report**  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Healthy Families of Hamilton County, Inc.

We have audited the financial statements of Healthy Families of Hamilton County, Inc. (a non-profit organization) as of and for the year ended June 30, 2008 and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Healthy Families of Hamilton County, 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 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 that are required to be reported under GOVERNMENT AUDITING STANDARDS.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Healthy Families of Hamilton County, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Bauer & Bauer, LLC*

*George Bauer, CPA, MBA*

Carmel, Indiana  
October 20, 2008



**Bauer & Bauer, LLC**

**Certified Public Accountants**

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

To the Board of Directors  
Healthy Families of Hamilton County, Inc.

**Compliance**

We have audited the compliance of Healthy Families of Hamilton County, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Healthy Families of Hamilton County, Inc.'s major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility Healthy Families of Hamilton County, Inc.'s management. Our responsibility is to express an opinion on Healthy Families of Hamilton County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Healthy Families of Hamilton County, 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 on Healthy Families of Hamilton County, Inc.'s compliance with those requirements.

In our opinion, Healthy Families of Hamilton County, Inc. has 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 June 30, 2008.

**Internal Control Over Compliance**

The management of Healthy Families of Hamilton County, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Healthy Families of Hamilton County, 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.



**Bauer & Bauer, LLC**

**Certified Public Accountants**

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 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 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 for the information and use of the Board of Directors, Management, the State Board of Accounts and should not be used for any other purpose.

*Bauer & Bauer, LLC*

*George Bauer, CPA, MBA*

Carmel, Indiana

October 20, 2008

JUNE 30, 2008

## Schedule of Findings and Questioned Costs

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified?  yes  no
- Reportable condition identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

- Material weakness identified?  yes  no
- Reportable condition identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Healthy Families Indiana Project

Dollar Threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

JUNE 30, 2008

## Schedule of Findings and Questioned Costs

### SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Item 08-01

Lack of Segregation of Duties Over Cash Disbursements

**Criteria:** An employee approving invoices for payments should not be allowed to sign disbursement checks for those same invoices.

**Statement of Condition:** For checks below \$5,000, employees who approve invoices for payment are also allowed to sign checks.

**Cause and Effect:** This practice weakens the internal controls over cash by vesting complete disbursement authority in one person. This is a significant control deficiency as it opens the way for the possibility of fraudulent purchases and disbursements.

**Recommendations:** We recommend that the Board of Director's and management implement stronger controls over cash disbursements by implementing a policy that the same individual approving an invoice for payment should be not allowed to sign checks regardless of the dollar amount.

**Management Response:** Due to the few number of personnel assigned to administration duties, at this time, it is not practical to segregate duties any further. The Audit/Finance Committee of the Board of Directors and/or the Treasurer of the Board reviews the checking account statement monthly.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**JUNE 30, 2008**

**Statement of Assets, Liabilities and Fund Balance - Statutory Basis**

Healthy Families of Hamilton County, Inc. As of June 30, 2008	
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 74,850
Grants receivable (Note A)	51,456
Prepaid Expenses	12,633
<b>Total Current Assets</b>	<b>\$ 138,939</b>
<b>Non-Current Assets</b>	
Property and equipment, net (Note A)	\$ 6,594
<b>Total Non-Current Assets</b>	<b>\$ 6,594</b>
<b>Total Assets</b>	<b>\$ 145,533</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 4,155
Accrued payroll and related liabilities	18,389
Accrued PTO	8,659
Fundraising liability	2,516
Staff activity fund	1,581
Line-of-credit (Note B)	145,533
<b>Total Current Liabilities</b>	<b>\$ 180,833</b>
<b>Fund Balance</b>	
Unrestricted funds	\$ (35,306)
<b>Total Fund Balances</b>	<b>\$ (35,306)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 145,533</b>

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

**JUNE 30, 2008**

**Statement of Revenue, Expenses and Changes in Fund Balance - Statutory Basis**

Healthy Families of Hamilton County, Inc. for the Year ended June 30, 2008	
<b>Revenue:</b>	
Grants	\$ 725,319
Donations	
Indirect public support	2,352
Direct public support	17,382
Fundraising	21,650
Parenting	5,710
In-kind contributions	29,127
Interest income	10
<b>Total Revenue</b>	<b>\$ 80,550</b>
<b>Expenses:</b>	
<b>Program Service Expenses</b>	
Healthy Families	\$ 619,357
OFC Funds	46,508
March of Dimes - Gannett	3,314
Parenting	7,046
St. Vincent Carmel	7,000
Target	500
<b>Total Program Service Expenses</b>	<b>\$ 683,725</b>
<b>Support Services</b>	
Fundraising	\$ 29,384
In-kind contributions	29,127
Management & general	14,048
<b>Total Support Services</b>	<b>\$ 72,559</b>
<b>Total Expenses</b>	<b>\$ 756,284</b>
<b>Excess Nonfederal Funds</b>	<b>\$ 45,266</b>
Beginning Fund Balance	(80,572)
<b>Ending Fund Balance</b>	<b>\$ (35,306)</b>

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

JUNE 30, 2008

# Statement of Functional Expenses

Health/ Facilities of Hamilton County, Inc. For the Year Ended June 30, 2008	Health/ Facilities	OTF Fund	March of Dimes Grant	Paratag	St. Vincent Carnal	Target	Total Program Services
<b>Personnel Costs</b>							
Personnel salaries	\$ 395,021	\$ 43,922	\$ 0	\$ 0	\$ 4,572	\$ 0	\$ 443,515
Personnel fringe benefits	60,331	0	0	0	795	0	61,125
Payroll taxes	31,417	2,586	0	0	75	0	34,078
<b>Total Personnel Costs</b>	<b>\$ 486,769</b>	<b>\$ 46,508</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,542</b>	<b>\$ 0</b>	<b>\$ 538,818</b>
<b>General Expenses</b>							
Contracted services	\$ 8,326	\$ 0	\$ 0	\$ 5,388	\$ 88	\$ 0	\$ 14,802
Copies, materials & supplies	12,000	0	1,649	644	140	500	14,933
Depreciation	0	0	0	0	0	0	0
Equipment	4,301	0	1,665	0	64	0	6,030
Insurance	3,652	0	0	0	28	0	3,680
Interest expense	0	0	0	0	0	0	0
Other Costs	18,055	0	0	0	260	0	18,315
Postage	747	0	0	14	28	0	789
Rents and utilities	45,254	0	0	0	421	0	45,675
Staff training	10,023	0	0	0	84	0	10,087
Telephone	10,217	0	0	0	140	0	10,357
Travel	20,013	0	0	0	225	0	20,238
<b>Total General Expenses</b>	<b>\$ 132,589</b>	<b>\$ 0</b>	<b>\$ 3,314</b>	<b>\$ 7,046</b>	<b>\$ 1,458</b>	<b>\$ 500</b>	<b>\$ 144,917</b>
<b>Total Expenses</b>	<b>\$ 619,357</b>	<b>\$ 46,508</b>	<b>\$ 3,314</b>	<b>\$ 7,046</b>	<b>\$ 7,000</b>	<b>\$ 500</b>	<b>\$ 683,725</b>

The accompanying notes are an integral part of these financial statements

JUNE 30, 2008

# Statement of Functional Expenses

Healthy Families of Hamilton County, Inc. for the year-ended June 30, 2008						
	Purchasing	Kind Commodities	Management & General	Total Support Services	Total Expenses	
<b>Personnel Costs</b>						
Personnel salaries	\$ 21,802	\$ 0	\$ 0	\$ 21,802	\$ 45,417	
Personnel fringe benefits	1,217	0	0	1,217	62,343	
Payroll taxes	2,074	0	0	2,074	36,152	
<b>Total Personnel Costs</b>	<b>\$ 25,093</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 25,093</b>	<b>\$ 553,912</b>	
<b>General Expenses</b>						
Contracted services	\$ 0	\$ 0	\$ 50	\$ 50	\$ 14,852	
Copies, materials & supplies	3,946	25,627	0	29,573	44,506	
Depreciation	0	0	871	871	871	
Equipment	0	0	0	0	6,030	
Insurance	0	0	0	0	3,680	
Interest expense	0	0	10,930	10,930	10,930	
Other Costs	0	0	1,509	1,509	19,924	
Postage	0	0	403	403	1,192	
Rents and utilities	0	0	170	170	45,845	
Staff training	25	3,500	15	3,540	13,627	
Telephone	0	0	0	0	10,357	
Travel	320	0	0	320	20,558	
<b>Total General Expenses</b>	<b>\$ 4,291</b>	<b>\$ 29,127</b>	<b>\$ 14,048</b>	<b>\$ 47,466</b>	<b>\$ 192,372</b>	
<b>Total Expenses</b>	<b>\$ 29,384</b>	<b>\$ 29,127</b>	<b>\$ 14,048</b>	<b>\$ 72,559</b>	<b>\$ 756,284</b>	

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

**JUNE 30, 2008**

## **Statement of Cash Flows**

<b>Healthy Families of Hamilton County, Inc.</b>	
<b>For the Year ended June 30, 2008</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess nonfederal funds	\$ 45,266
Adjustments to reconcile excess revenue to net cash provided by operating activities:	
Depreciation	\$ 871
(Increase) Decrease in:	
Grants receivable	\$ 11,538
Prepaid expenses	(2,615)
Increase (Decrease) in:	
Accounts payable	\$ 2,003
Accrued payroll and liabilities	(13,872)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 43,191</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	\$ 0
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>\$ 0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net increase (decrease) in line of credit borrowings	\$ 25,538
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>\$ 25,538</b>
<b>NET INCREASE IN CASH</b>	<b>\$ 68,729</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>\$ 6,121</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 74,850</b>
<b>Supplemental Disclosures</b>	
Cash paid for interest	\$ 10,930
Income taxes paid	0

The accompanying notes are an integral part of these financial statements

**JUNE 30, 2008**

## **Notes to Financial Statements**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Program Services**

Healthy Families of Hamilton County, Inc. (the Organization), an Indiana not-for-profit corporation, was established in 19997 to promote supportive environments that optimize child growth and development and encourage resilient and healthy families. The Organization receives substantially all of its funding from one federal grant passed through the Indiana Family and Social Service Administration.

#### **Accounting Basis**

#### **Financial Statement Presentation**

The financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All funds over which the Organization's board of directors has discretionary control have been included in the unrestricted fund. No funds have been restricted by donors; therefore, no balances are reflected as temporarily or permanently restricted net assets.

#### **Grants Receivable**

Grants receivable are recorded at the estimated net realizable amount such that an allowance for uncollectible amounts is deemed by management to be unnecessary. Receivables are due from approved grants for services rendered and are usually collected by the twentieth day of the month following the provision of services. As of June 30, 2008, the Organization is due a grant receivable from the State of Indiana in the amount of \$51,456.

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated over estimated their useful lives using the straight-line method. When property and equipment are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations. The estimated useful lives of depreciable properties generally are as follows:

Property and equipment	3 - 5 years
------------------------	-------------

#### **Income Tax Status**

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Accordingly, no provisions for federal and state income taxes on revenue and income has been recorded in the financial statements.

**JUNE 30, 2008**

## **Notes to Financial Statements**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **In-Kind Contributions**

In addition to cash contributions, the Organization receives donated goods and services. Donations of services are recognized if the services received (a) create or enhance non-financial assets, or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods are recorded at estimated fair value. During the year ended June 30, 2008, in-kind contributions aggregated \$29,127.

#### **Functional Allocation of Expenses**

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

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements; disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For the purposes of the financial statements including the statement of cash flows, cash includes petty cash, checking accounts, and savings account.

### **NOTE B – LINE OF CREDIT**

The Organization has a \$160,000 bank line of credit for short-term borrowings which mature on January 5, 2010. On January 1, 2009 the line of credit will reduce to \$150,000. The interest rate is equal to the Bank's prime lending rate (5.00% at June 30, 2008) plus 1.000 percentage point over prime. Borrowings are secured by the Organization's accounts receivable, chattel paper, property and equipment and general intangibles. The outstanding balance at June 30, 2008 is \$145,538.

### **NOTE C – THIRD PARTY REIMBURSEMENTS**

The Organization receives reimbursements from a third party, the Indiana Family and Social Services Administration. The Agency must submit claims to this party for approval and payment. The Organization depends significantly on this third party to carry out its program activities.

**JUNE 30, 2008**

## **Notes to Financial Statements**

### **NOTE D – OPERATING LEASES**

The Organization leases its facility and equipment pursuant to a noncancellable operating lease. Rent expense incurred in connection with all non-current operating lease agreements aggregated \$37,800, during the year ended June 30, 2008. Future minimum annual rental payments under noncancellable operating leases are as follows:

Leased Item	Expiration Date	Buyout	2008	2009	2010
Office Lease	August 31, 2009	\$ 0	\$ 18,900	\$ 25,200	\$ 0
Water machine	October 1, 2012	FMV	180	359	359
Copy Machine	December 31, 2012	FMV	2,048	4,096	4,096
<b>Totals</b>		<b>\$ 0</b>	<b>\$ 21,128</b>	<b>\$ 29,655</b>	<b>\$ 4,455</b>

### **NOTE E – RETIREMENT PLAN**

The Organization sponsors a SIMPLE IRA plan (the Plan) for all employees meeting certain Plan requirements. Plan participants may defer a percentage of their annual compensation up to \$7,000. The Organization makes a contribution to the Plan equal to 2% of compensation for each eligible employee. A participant's interest in employer contributions is 100% vested at all times. The Organization contributed \$8,198 for the year ended June 30, 2008.

### **NOTE F – CONCENTRATION**

The Organization received 84.4% in fiscal year 2008 of its total revenues and support from one Federal grant passed through the Indiana Family and Social Services Administration.

### **NOTE G – CONTINGENCIES**

There are no matters of pending or threatened litigation, claim or assessments, of which we are aware.

**JUNE 30, 2008**

**Schedule of Expenditures of Federal Awards**

Healthy Families of Hamilton County, Inc. for the Year Ended June 30, 2008	CFDA No.	Revenue Recognized	Expenditures
Federal Grantor / Pass Through Grantor / Program Title			
Department of Health and Human Services			
Passed Through Indiana Family and Social Services Administration			
Healthy Families Indiana Project/29-08-60-1578*			
Grant period: 09/01/2007 - 8/31/2008	93.558	\$ 590,539	\$ 590,539
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>\$ 590,539</b>	<b>\$ 590,539</b>
<b>Total Federal Awards</b>		<b>\$ 590,539</b>	<b>\$ 590,539</b>

\*Denotes Major Program



*Bauer & Bauer, LLC*  
*40 Executive Drive, Suite C*  
*Carmel, IN 46032*

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November 14, 2008

To the Shareholders of  
Healthy Families of Hamilton County

We have audited the financial statement of Healthy Families of Hamilton County for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Healthy Families of Hamilton County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Healthy Families of Hamilton County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Company during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus, other than what is noted below under "Additional Items Noted in Performing the Audit."

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate effecting the financial statements was the useful lives for fixed asset depreciation.

Management's estimate of the useful lives is based on Internal Revenue Service guidelines. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant affect on the Company's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the adjustments we proposed, whether recorded or unrecorded by the Company, either individually or in the aggregate, indicate matters that could have a significant affect on the Company's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Additional Items Noted in Performing the Audit**

During our audit of the financial statements we noted one matter:

- 1) We noted no segregation of duties. We discussed the fact with management that there is no segregation of duties in preparation of the cash account. This can have a material effect on the financial statements. Management noted that because of their size it is not feasible to segregate the cash duties at this time. We suggested that the Agency have a board member review the disbursements prior to sending the disbursements out or have them sign it.

This information is intended solely for the use of management of Healthy Families of Hamilton County and is not intended to be and should not be used by anyone other than this specific party.

Sincerely,

*George Bauer, CPA, MBA*

George Bauer, CPA, MBA  
Senior Partner