B35700

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 3, 2010

Board of Directors
Aging and In-Home Services of
Northeast Indiana, Inc. and Affiliate
2927 Lake Ave.
Fort Wayne, IN 46805

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 Aging and In-Home Services of Northeast Indiana, Inc. and Affiliate, as of June 30, 2007, 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 19 through 25 contain seven current audit findings and $25,789 in questioned costs.

STATE BOARD OF ACCOUNTS

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORT

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE

June 30, 2007

C ULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPORTING SCHEDULE

To the Board of Directors
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

We have audited the accompanying consolidated statement of financial position of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") as of June 30, 2007, and the related consolidated 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 consolidated financial position of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE as of June 30, 2007, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully explained in Note 8 to the consolidated financial statements, the Organization has questioned costs that are unsettled with an awarding agency. The awarding agency may request refunds of some or all of the costs involved. The ultimate effect of the actions of the Organization and the awarding agency relative to these instances of possible noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008 on our consideration of the Organization'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 on 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidated schedule of expenditures of federal and nonfederal awards on page 12 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Cullen & Associates, P.C.

April 30, 2008

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2007

Assets:	
Cash and cash equivalents	$ 155,855
Grants and contributions receivable	840,548
Accounts receivable	28,329
Property and equipment	1,507,433
Total assets	$ 2,532,165
Liabilities and Net Assets:	
Liabilities:	
Accounts payable and accrued liabilities	$ 641,745
Refundable advances	177,717
Long-term debt	1,341,634
Total liabilities	2,161,096
Net Assets:	
Unrestricted	367,184
Temporarily restricted	3,885
Total net assets	371,069
Total liabilities and net assets	$ 2,532,165

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support:			
Grants and fees	$ 6,386,279	$ -	$ 6,386,279
Program service revenue	159,695	-	159,695
Contributed cash	33,963	12,500	46,463
Contributed facilities	57,546	-	57,546
Interest income	8,361	-	8,361
Other	12,240	-	12,240
Net assets released from restrictions	8,615	(8,615)	-
Total revenues, gains, and other support	6,666,699	3,885	6,670,584
Expenses:			
Nutrition	1,199,722	-	1,199,722
Area Agency on Aging	4,171,199	-	4,171,199
Senior Employment	60,799	-	60,799
Case Management	431,328	-	431,328
Management and general	777,310	-	777,310
Total expenses	6,640,358	-	6,640,358
Change in net assets	26,341	3,885	30,226
Net assets, beginning of year (as restated)	340,843	-	340,843
Net assets, end of year	$ 367,184	$ 3,885	$ 371,069

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	Nutrition	Area Agency on Aging	Senior Employment	Case Management	Management and General	Total
Personnel	$ 539,156	$ 988,573	$ 4,543	$ 365,649	$ 545,880	$ 2,443,801
Stipends	-	-	56,012	-	-	56,012
Food	409,250	36,736	-	-	-	445,986
Meal delivery	100,511	-	-	-	-	100,511
Home health care	-	2,172,804	-	-	-	2,172,804
Adult day care	-	51,424	-	-	-	51,424
Respite services	-	62,799	-	-	-	62,799
Transportation services	-	536,763	-	-	-	536,763
Other assistance	-	151,602	-	-	-	151,602
Occupancy	70,338	22,173	-	6,786	12,777	112,074
Telephone	17,930	11,688	-	3,637	9,556	42,811
Postage	4,443	6,789	-	1,657	6,509	19,398
Contracted services	5,027	7,749	-	1,379	14,376	28,531
Materials and supplies	9,954	22,632	-	8,221	12,468	53,275
Insurance	4,307	5,049	-	1,573	8,706	19,635
Equipment expense	5,531	28,698	-	18,313	28,065	80,607
Travel	10,886	26,856	166	12,657	5,728	56,293
Dues and subscriptions	3,331	2,405	-	328	11,612	17,676
Conferences and training	1,224	5,671	78	1,326	4,547	12,846
Depreciation	14,309	30,069	-	9,651	14,903	68,932
Interest	-	-	-	-	92,750	92,750
Other	3,525	719	-	151	9,433	13,828
Totals	$ 1,199,722	$ 4,171,199	$ 60,799	$ 431,328	$ 777,310	$ 6,640,358

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

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Change in net assets	$	30,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		68,932
Change in assets and liabilities:		
Grants and contributions receivable		(124,612)
Accounts receivable		(8,874)
Bank overdraft		(175,142)
Accounts payable and accrued liabilities		187,821
Refundable advances		161,357
Net cash provided by operating activities		139,708
Cash Flows from Financing Activities:		
Payment of long-term debt		(54,026)
Net change in cash and cash equivalents		85,682
Cash and cash equivalents, beginning of year		70,173
Cash and cash equivalents, end of year	$	155,855

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

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. (the "Organization") is an Indiana nonprofit corporation whose mission is to promote dignity, independence, and advocacy for all older adults and persons with disabilities. It provides services to clients in Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley counties in the State of Indiana. The Organization's operations are supported primarily by grants from governmental agencies and other nonprofit organizations.

Significant Accounting Policies:

Consolidation:

The accompanying consolidated financial statements include the accounts of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. and AREA III PROPERTIES, INC. because the two entities share the same Board of Directors and because AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. has an economic interest in AREA III PROPERTIES, INC. AREA III PROPERTIES, INC. is an Indiana nonprofit corporation organized exclusively to hold property leased to AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC.

All material transactions and balances between the Organizations have been eliminated in these consolidated financial statements.

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The costs of providing the programs and the supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting service benefited based on management's best estimates.

Because the Organization receives the majority of its support from grants and contracts awarded through competitive bidding and from private entities interested in the Organization's purpose, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets:

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants and contributions:

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

The Organization reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, contributions received with donor-imposed restrictions in which the restrictions are satisfied in the same reporting received are reported as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No contributed services were recognized as revenue in the accompanying financial statements because the criteria for recognition have not been met. Management estimates the value of contributed services received during the year ended June 30, 2007 that did not meet the criteria for recognition to be approximately $61,000.

The Organization uses certain facilities for its nutrition program without charge or at reduced charge. The difference between the fair value for the use of these facilities and their cost are recognized as revenue and expense. The Organization recognized $57,546 of contributed facilities in the accompanying financial statements.

Fees for services:

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities.

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Equipment with a unit cost below $5,000 is expensed in the period acquired. Prior to 2007, all equipment was expensed in the period acquired (see Note 2). Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Building	10-40 years
Equipment	5-10 years

All of the Organization's equipment has been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives.

Advertising:

Advertising costs are expensed when incurred. There was no advertising expense for the year ended June 30, 2007.

Income taxes:

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, and AREA III PROPERTIES, INC. is exempt from income taxes under Internal Revenue Code Section 501(c)(2) and a similar section of the Indiana Code. Consequently, the accompanying financial statements do not include any provision for income taxes. The Internal Revenue Service classifies the Organizations as other than private foundations.

NOTE 2. CHANGE IN ACCOUNTING FOR EQUIPMENT AND CORRECTION OF ERROR

During 2007, the Organization changed its method of accounting for equipment from expensing equipment when acquired to recognizing as assets all equipment acquired with a unit cost of $5,000 or more and depreciating them over their useful lives. The change had no effect on the change in net assets for the year ended June 30, 2007 or on net assets at the beginning of 2007.

Net assets at the beginning of 2007 have been decreased by $140,281 to correct an error made in prior years in computing depreciation on the Organization's building. Had the error not been made, the change in net assets for the year ended June 30, 2006 would have been decreased by $35,795.

NOTE 3. GRANTS, CONTRIBUTIONS, AND ACCOUNTS RECEIVABLE AND REFUNDABLE ADVANCES

Grants and contributions receivable consist of reimbursements due under government cost-reimbursement awards and unconditional promises to give to the Organization. All amounts are due within one year and no allowance for uncollectibles is considered necessary. Accounts receivable consist of amounts due for services rendered. No allowance for uncollectibles is considered necessary.

At June 30, 2007, the Organization had received $177,717 in advances on cost-reimbursement grants in excess of allowable costs incurred that are reported as refundable advances liability in the accompanying statement of financial position. Such advances are required to be returned if the Organization does not incur allowable costs by the end of the grant periods.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2007:

Land	$ 159,675
Building	1,657,962
	1,817,637
Less accumulated depreciation	(310,204)
Net property and equipment	$ 1,507,433

NOTE 5. BANK LINE OF CREDIT AND LONG-TERM DEBT

In 2007 the Organization maintained a $250,000 bank line of credit, bearing interest at bank prime, collateralized by substantially all assets of the Organization. No borrowings were outstanding on the line at June 30, 2007. Long-term debt consists of the following at June 30, 2007:

Note payable, bank, due in monthly payments of $10,688, including interest at 6.58% through September 2008, with a balloon payment due at that time, collateralized by a mortgage on the Organization's facilities	$ 1,269,817
Note payable, bank, due in monthly payments of $1,000 plus interest at 6.5%, through November 2009, collateralized by a mortgage on the Organization's facilities	71,817
	$ 1,341,634

Maturities of debt at June 30, 2007 for each of the next three years and in the aggregate are as follows:

2008	$ 58,077
2009	1,235,740
2010	47,817
	$ 1,341,634

NOTE 6. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2007 are available for the long-term care ombudsman program. Net assets were released from restrictions during the year ended June 30, 2007 by incurring expenses satisfying restricted purposes specified by donors for the long-term care ombudsman program.

NOTE 7. RETIREMENT PLAN

The Organization maintains a defined-contribution tax-deferred annuity pension plan covering substantially all of its employees. Pension costs are funded in the period that they accrue. Pension expense was $30,651 for the year ended June 30, 2007.

NOTE 8. CONTINGENCY

In 2007, the Organization may not have complied with grantor requirements for allocating indirect costs charged to a certain grant, resulting in questioned costs of approximately $26,000. The granting agency may request refunds of some or all of the questioned costs involved. The ultimate effect of the actions of the Organization and the awarding agency relative to these instances of possible noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

NOTE 9. CONCENTRATIONS

All of the Organization's programs and activities occur in Northeast Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the year ended June 30, 2007, approximately 96% of total revenues were received from state and federal governmental sources, with approximately 88% of total revenues received from Indiana Family and Social Services Administration.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contributions receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. Cash and cash equivalents are maintained at high-quality financial institutions, and the Organization has not experienced any losses on such deposits. At June 30, 2007, the Organization had cash on deposit with a financial institution that exceeded the federal insurance limit by approximately $192,000. Grants and contributions receivable are due primarily from Indiana Family and Social Services Administration under contracts and cost-reimbursement grants, which represents a concentration of credit risk.

NOTE 10. SUPPLEMENTAL CASH FLOWS INFORMATION

The Organization paid $92,750 in interest during the year ended June 30, 2007.

AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Agreement Numbers	Expenditures
Federal Expenditures:			
U.S. Department of Health and Human Services:			
Passed-through Indiana Family and Social Services Administration:			
Title VII - Long-Term Care Ombudsman Services for Older Individuals	93.042	02-06-OV-1531-14	$ 37,397
Special Programs for the Aging:			
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	02-06-OV-1531-10	34,186
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	02-06-OV-1531-02/04	719,302
Title III, Part C - Nutrition Services	93.045	02-06-OV-1531-06/-08	796,124
Discretionary Projects	93.048	02-06-02-1531-02	81,548
National Family Caregiver Support	93.052	02-06-OV-1531-12	188,860
Social Services Block Grant	93.667	02-06-OC-1531-02	517,972
Medical Assistance Program	93.778	02-06-70-1531-02	334,404
State Pharmaceutical Programs	93.786	02-06-PA-1531-01	18,535
Total U.S. Department of Health and Human Services			2,728,328
U.S. Department of Labor:			
Passed-through Indiana Family and Social Services Administration:			
Senior Community Service Employment Program	17.235	02-06-OK-1531-02	69,084
Total federal expenditures			2,797,412
Nonfederal Expenditures:			
Indiana Family and Social Services Administration:			
CHOICE		02-06-10-1531-02	2,932,696
Assisted Living Ombudsman		02-06-2V-1531-02	18,297
Older Hoosier Act		02-06-OM-1531-02	129,076
Medicaid reimbursements		n/a	508,798
Total nonfederal expenditures			3,588,867
Total federal and nonfederal expenditures			$ 6,386,279

The accompanying note is an integral part of this consolidated schedule.

NOTE A. BASIS OF PRESENTATION

The accompanying consolidated schedule includes the federal and nonfederal grant activities of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. and its affiliate, AREA III PROPERTIES, INC. (the "Organization"), and is presented in conformity with accounting principles generally accepted in the United States of America. The information in the schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

CULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

We have audited the consolidated financial statements of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "Organization") as of and for the year ended June 30, 2007, and have issued our report thereon dated April 30, 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 the Organization'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 Organization'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 that we consider to be significant deficiencies.

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 Organization's ability to initiate, authorize, record, process, or report financial data reliability 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 as findings 07-1 through 07-6 to be significant deficiencies in internal control over financial reporting.

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 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 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 findings 07-1 through 07-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 07-7.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, 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.

Cullan & Associates, P.C.

April 30, 2008

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

INDEPENDENT AUDITOR'S 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
AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE
Fort Wayne, Indiana

Compliance

We have audited the compliance of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE (the "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, 2007. The Organization's major federal programs are identified in the summary of auditor's 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 the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 the Organization's compliance with those requirements.

In our opinion, AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 07-7.

Internal Control over Compliance

The management of AGING AND IN-HOME SERVICES OF NORTHEAST INDIANA, INC. AND AFFILIATE 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 the Organization'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 07-7 to be a significant deficiency.

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. We do not consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, 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.

Cullen + Associates, P.C.

April 30, 2008

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Significant deficiencies identified?	Yes
Material weaknesses identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiencies identified?	Yes
Material weaknesses identified?	No
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

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
93.045	Special Programs for the Aging, Title III, Part C - Nutrition Services

Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee, as defined in Section 530 of Circular A-133?	Yes

Contact Information of Independent Public Accounting Firm:

Richard J. Cullar, CPA
Cullar & Associates, PC, Certified Public Accountants
209 North Main Street, Suite 200
South Bend, IN 46601
(574)-288-8320
RCullar@Cullar.com

Contact Information of Auditee:

Claire Dokmecian, Vice President of Finance
Aging and In-Home Services of Northeast Indiana, Inc.
2927 Lake Avenue
Fort Wayne, IN 46805
(260) 745-1200
cdokmecian@agingihs.org

Section 2 - Financial Statement Findings

FINDING 07-1

Condition:

There is an inadequate segregation of duties over cash disbursements. The Vice President of Finance maintains the general ledger, has access to the blank check stock, generally opens bank statements, prepares bank reconciliations, and has access to the President's signature stamp.

Criteria:

OMB Circular A-110, Subpart C, Section 21(b)(3) requires effective internal control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Effect:

The Organization's internal controls over cash disbursements do not provide an adequate segregation of duties over cash disbursements. The Vice President of Finance has the ability to both prepare unauthorized checks and to conceal those checks.

Recommendations:

We recommend that the Organization either adopt a policy prohibiting the use of signature stamps or limit access to them to those on the stamp. Additionally, we recommend that the President open and review all bank statements and canceled checks for unusual amounts and payees. We also recommend the President initial and date the bank statements to document that review.

Auditee's Response and Corrective Action Plan:

Effective as the date AIHS was notified that the signature stamp was not adequately secured, the President immediately put the stamp in a safe located in her office. The only person who has the key is the office administrator, who has been told not to allow access to the fiscal department staff. Temporarily, this has been done. The board will vote at its next meeting (June 2008) whether this is acceptable or if the stamp should be destroyed.

The President is now opening and reviewing all bank statements and cancelled checks to see if there are unusual amounts or payees. The President is also initialing and dating the statements.

FINDING 07-2

Condition:

The President does not review bank statement reconciliations.

Criteria:

The Organization's Finance Policy #G6.4.06 requires the President to review all bank statement reconciliations. In addition, OMB Circular A-110, Subpart C, Section 21(b)(3) requires effective internal control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Effect:

The Organization is not following its own internal policies. The Vice President of Finance has the ability to both prepare unauthorized checks and to conceal those checks.

Recommendations:

We recommend the Organization follow its own internal policy on this matter. The President should review the bank reconciliations for large or unusual reconciling items. This review should be indicated by the President's initialing and dating of the bank reconciliations.

Auditee's Response and Corrective Action Plan:

The President is now reviewing the bank reconciliations for large or unusual reconciling items, initialing and dating them. Additionally, before July 1, 2008, the Board Treasurer has agreed to teach President on how to properly review the reconciliation statements. The agency is in the process of hiring a bookkeeper, so that we can have more separation of duties.

FINDING 07-3

Condition:

Net assets in the general ledger at the beginning of the year did not agree to net assets at the end of the prior year because the prior year audit adjustments were not posted to the general ledger.

Criteria:

OMB Circular A-110 Subpart C, Section 21(b)(1) requires accurate, current, and complete disclosure of financial results.

Effect:

The Organization's financial statements were materially misstated during the year.

Recommendations:

We recommend that all audit adjustments be posted to the general ledger and that beginning net assets be agreed to ending net assets in the prior year audited financial statements.

Auditee's Response and Corrective Action Plan:

Effective immediately the net assets in the general ledger will agree to net assets at the end of the prior year. The prior year audit adjustments will be posted to the general ledger.

FINDING 07-4

Condition:

As part of our audit we drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with U.S. generally accepted accounting principles in the preparation of those financial statements and related disclosures because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of the audit function, new professional standards require that we now communicate this to you because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Criteria:

Internal controls should be in place to provide reasonable assurance that all transactions are properly recorded and that financial statements are complete.

Effect:

The overall financial statements, including disclosures, would not be completely in accordance with U.S. generally accepted accounting principles without our assistance.

Recommendations:

We recommend that the Vice President of Finance and any related accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply with U.S. generally accepted accounting principles or to be able to request assistance from another accounting firm when circumstances require.

Auditee's Response and Corrective Action Plan:

The accounting staff will attend related training courses on nonprofit accounting principles to develop a sufficient understanding of those principles to either completely with U.S. generally accepted accounting principles. If necessary the fiscal staff with the President's approval will request assistance from another accounting firm when circumstances require.

FINDING 07-5

Condition:

The Organization does not have a policy for investigating and properly disposing of old outstanding bank reconciliation items.

Criteria:

OMB Circular A-110 requires that a recipient's financial management system provide accurate, current, and complete disclosure of financial results.

Effect:

The Organization's June 30, 2007 bank statement reconciliation included thirteen outstanding checks totaling $20,637 that are more than one year old. The bank reconciliations also include thirty unknown reconciling items totaling $802 dating back to 2001.

Recommendations:

We recommend that the Organization adopt a policy of investigating and properly disposing of all bank reconciling items more than two months old. Payees for old outstanding checks should be contacted; if the check has been lost, a stop payment order should be entered and the check be re-issued; if the check has been cashed, it should be determined why it is still listed as outstanding; and if the payee cannot be located, Indiana's escheat law on unclaimed property should be followed. All unknown reconciling items should be investigated and properly accounted for.

Auditee's Response and Corrective Action Plan:

The agency's checks state that the check is good for six months. Until those checks are used up (approximately 1800), the agency would like to have 180 days to reconcile any uncleared checks. New checks would be ordered which would state they are good for 90 days.

Reviewed:
Review Date:

Policy Title: Bank Reconciliation Items

Policy statement: AIHS's financial management system shall provide accurate, current and complete disclosure of financial results.

Rationale: In order to ensure that the agency has accurate and current bank information for its accounts, it must reconcile its outstanding checks. Therefore, since checks are valid for 90 days, the agency shall investigate and dispose of anything beyond the 90 days.

Procedures:

1 The Fiscal Department shall be responsible for:

a. Contacting any payee for outstanding checks beyond allowed date.
b. If the check has been lost, a stop payment order shall be entered, and new check issued.
c. If the check has been cashed, it shall be determined why it is still outstanding.
d. If the payee cannot be located, Indiana's escheat law on unclaimed property shall be followed.

<u>*FINDING 07-6*</u>

Condition:

Client donations are collected at various congregate nutrition sites, and Site Directors and volunteer jointly count the donations and sign the nutrition site daily log as a control over cash receipts. However, we noted that two of the seventeen sites often lacked signatures on the log to evidence the joint counting of donations.

Criteria:

OMB Circular A-110, Subpart C, Section 21(b)(3) requires effective internal control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Effect:

The Organization did not follow its own internal policies. There is no evidence from these sites that all cash was properly counted and deposited intact.

Recommendations:

We recommend the Organization follow its internal policies regarding this matter by requiring all donations be counted jointly by the Site Director and a volunteer with a jointly signed indication of the count on the nutrition site daily log sheet.

Auditee's Response and Corrective Action Plan:

The agency is now reviewing each site's donation counting procedures each time. The two site managers cited have been informed that this is unacceptable and will result in termination of employment if they do not follow agency policy. Additionally, they have been informed by their supervisor that this is a violation of federal regulations and could jeopardize the program. Additionally, the office person who checks the deposit slips has been informed that they are to notify their supervisor if they see that two signatures are not included. The agency has revised its policy on this issue to be clearer so there is no room for misunderstanding.

Section 3 - Federal Award Findings

	QUESTIONED COSTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES **Passed-Through Indiana Family and Social Services Administration** **CFDA Number 93.045** **Special Programs for the Aging, Title III, Part C – Nutrition Services**	
FINDING 07-7	
Condition:	
The Organization's indirect cost allocation plan allocates administrative costs to awards based, in part, on relative federal and state program funding.	
Criteria:	
Section D of OMB Circular A-122 specifies three allowable indirect cost allocation methods, based on cost or activity factors, to allocate indirect costs to awards. The use of relative program funding as a basis for the allocation methodology is not an allowable method.	
Effect:	
The Organization did not comply with OMB requirements for allocating a portion of administrative costs. Such costs are subject to disallowance and are, therefore, considered questioned costs.	$ 25,789
Recommendations:	
We recommend the Organization modify its cost allocation plan to comply with the requirements of OMB Circular A-122.	
Auditee's Response and Corrective Action Plan:	
When the State notified the agency about what was incorrect with its cost allocation plan, AIHS hired a CPA to help make the needed changes. The agency then resubmitted its plan to the State, for January 2008. The State accepted the changes. Therefore, the agency is now in compliance, as of January 2008.	
Total questioned costs	$ 25,789

There were no findings in the prior audit.