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October 13, 2011

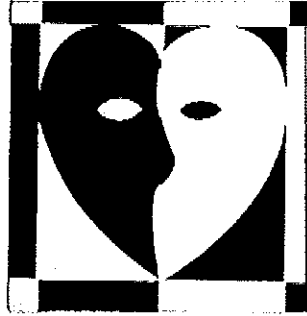
Board of Directors
Aids Ministries/Aids Assist of North Indiana, Inc.
201 South William, P.O. Box 11582
South Bend, IN 46634

We have reviewed the audit report prepared by Christine A. Lauber, CPA, Independent Public Accountant, for the period July 1, 2008 to June 30, 2009. 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 Aids Ministries/Aids Assist of North Indiana, Inc., as of June 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report. Pages 21 and 22 contain one current audit finding.

STATE BOARD OF ACCOUNTS



**AIDS MINISTRIES/AIDS ASSIST OF NORTH
INDIANA, INC.**

FINANCIAL STATEMENTS

June 30, 2009 and 2008

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

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CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

Report of Independent Accountant

To the Board of Directors
AIDS Ministries/AIDS Assist of North Indiana, Inc.
South Bend, IN

I have audited the accompanying statement of financial position of AIDS Ministries/AIDS Assist of North Indiana, Inc. as of June 30, 2009 and 2008 and the related statements of activities and changes in net assts, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

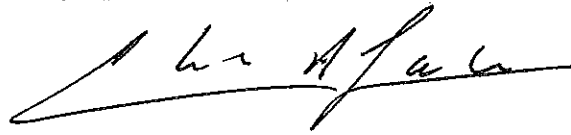
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Ministries/AIDS Assist of North Indiana, Inc. as of June 30, 2009 and 2008, and its changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 5, 2009, on my consideration of AIDS Ministries/AIDS Assist of North Indiana, Inc.'s internal control over financial reporting and on my 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 my 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 important for assessing the results of our audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of AIDS Ministries/AIDS Assist of North Indiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

October 5, 2009



AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statements of Financial Position

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,593	\$ 6,752
Grants and contributions receivable	87,242	100,289
Inventory	1,064	1,064
Prepaid expenses	7,348	7,412
TOTAL CURRENT ASSETS	<u>113,247</u>	<u>115,517</u>
Property and equipment		
Office equipment	78,140	74,620
Vehicles	43,993	43,993
Buildings	1,093,583	1,093,583
Furniture & fixtures in housing units	5,717	5,717
Improvements	7,257	7,257
Land	52,025	52,025
	<u>1,280,715</u>	<u>1,277,195</u>
Less accumulated depreciation	<u>(401,626)</u>	<u>(357,149)</u>
	<u>879,089</u>	<u>920,046</u>
	<u>\$ 992,336</u>	<u>\$ 1,035,563</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued expenses	\$ 42,605	\$ 61,850
Current portion of long-term debt	11,426	12,165
TOTAL CURRENT LIABILITIES	<u>54,031</u>	<u>74,015</u>
Long-term debt		
Notes payable - bank	227,188	239,272
Current portion - long-term debt	<u>(11,426)</u>	<u>(12,165)</u>
	<u>215,762</u>	<u>227,107</u>
Net assets		
Unrestricted	704,040	711,146
Temporarily restricted	18,503	23,295
	<u>722,543</u>	<u>734,441</u>
	<u>\$ 992,336</u>	<u>\$ 1,035,563</u>

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statement of Activities and Changes in Net Assets

For the year ending June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
REVENUES AND OTHER SUPPORT			
Conference contributions	\$ 36,241	\$ -	\$ 36,241
Government grants	634,087	-	634,087
Government contracts	106,570	-	106,570
United Way grant	80,670	-	80,670
Other contributions and memorials	39,334	-	39,334
Other grants	19,877	18,503	38,380
Fund raisers, gross revenue	32,597	-	32,597
Fund raisers, direct expenses	(15,072)	-	(15,072)
Medicaid	30,842	-	30,842
Rent income	21,167	-	21,167
Other income	747	-	747
Net assets released from restrictions			
Expiration of time restrictions	14,783	(14,783)	-
Restrictions satisfied by service	8,512	(8,512)	-
Total revenues	<u>1,010,355</u>	<u>(4,792)</u>	<u>1,005,563</u>
EXPENSES			
Program services			
Direct services	602,333	-	602,333
Preventive services	274,905	-	274,905
Supporting services			
General & administrative	132,267	-	132,267
Development	7,957	-	7,957
Total expenses	<u>1,017,462</u>	<u>-</u>	<u>1,017,462</u>
CHANGE IN NET ASSETS	(7,106)	(4,792)	(11,898)
NET ASSETS AT BEGINNING OF YEAR	<u>711,146</u>	<u>23,295</u>	<u>734,441</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 704,040</u></u>	<u><u>\$ 18,503</u></u>	<u><u>\$ 722,543</u></u>

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statement of Activities and Changes in Net Assets

For the year ending June 30, 2008

	Unrestricted	Temporarily Restricted	Total 2008
REVENUES AND OTHER SUPPORT			
Conference contributions	36,890	\$ -	\$ 36,890
Government grants	671,058	-	671,058
Government contracts	105,783	-	105,783
United Way grant	78,334	-	78,334
Other contributions and memorials	57,181	1,087	58,268
Other grants	21,591	22,208	43,799
Fund raisers, gross revenue	22,567	-	22,567
Fund raisers, direct expenses	(5,599)	-	(5,599)
Medicaid	37,967	-	37,967
Rent income	26,465	-	26,465
Other income	824	-	824
Interest income	3	-	3
Loss on sale of assets	(1,231)	-	(1,231)
Net assets released from restrictions			
Expiration of time restrictions	17,008	(17,008)	-
Restrictions satisfied by service	13,112	(13,112)	-
Total revenues	1,081,953	(6,825)	1,075,128
EXPENSES			
Program services			
Direct services	672,111	-	672,111
Preventive services	266,506	-	266,506
Supporting services			
General & administrative	139,941	-	139,941
Development	9,223	-	9,223
Total expenses	1,087,781	-	1,087,781
CHANGE IN NET ASSETS	(5,827)	(6,825)	(12,652)
NET ASSETS AT BEGINNING OF YEAR	716,973	30,120	747,093
NET ASSETS AT END OF YEAR	\$ 711,146	\$ 23,295	\$ 734,441

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statements of Cash Flows

For the years ending June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,898)	\$ (12,652)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,477	50,370
(Increase) decrease in accounts receivable	13,047	(28,437)
(Increase) decrease in inventory	-	(303)
(Increase) decrease in prepaid expenses & other current assets	64	(3,130)
Increase (decrease) in accrued liabilities	(19,245)	19,537
Loss on disposal of assets	-	1,231
	<u>38,343</u>	<u>39,268</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>26,445</u>	<u>26,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	<u>(3,520)</u>	<u>(1,560)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,520)</u>	<u>(1,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in line of credit	-	(24,000)
Principal payments on long term debt	<u>(12,084)</u>	<u>(12,384)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(12,084)</u>	<u>(36,384)</u>
NET DECREASE IN CASH	10,841	(11,328)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>6,752</u>	<u>18,080</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 17,593</u>	<u>\$ 6,752</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest expense	\$ 14,528	\$ 18,090
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AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statements of Functional Expenses

For the year ending June 30, 2009

	Program costs			Support			Total
	Direct Service	Preventive Service	General and Administrative	Development	2009		
Personnel	\$ 326,694	\$ 196,667	\$ 17,741	\$ 6,679	\$	\$ 547,781	
Telephone/Yellow Pages	5,850	2,475	3,652	-	-	11,977	
Office expense	9,896	2,174	4,017	75	-	16,162	
Building expense	31,652	12,742	16,085	-	-	60,479	
Insurance	10,018	3,521	4,673	9	-	18,221	
Office equipment	(1,032)	724	5,586	-	-	5,278	
Postage	2,526	586	1,016	180	-	4,308	
Membership fees	385	-	833	-	-	1,218	
Depreciation	-	-	44,477	-	-	44,477	
Direct service	170,482	-	-	-	-	170,482	
Payroll taxes	21,794	12,868	1,279	491	-	36,432	
Newsletter	-	-	-	63	-	63	
Professional fees	-	-	2,174	-	-	2,174	
Library	-	807	80	-	-	887	
Travel	8,786	3,727	5,666	276	-	18,455	
Training	417	72	-	20	-	509	
Legal and accounting	8,625	6,675	2,533	-	-	17,833	
Outside services	6,197	31,867	2,448	-	-	40,512	
Interest expense	-	-	14,528	-	-	14,528	
Miscellaneous	43	-	5,479	164	-	5,686	
	<u>\$ 602,333</u>	<u>\$ 274,905</u>	<u>\$ 132,267</u>	<u>\$ 7,957</u>	<u>\$</u>	<u>\$ 1,017,462</u>	

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.

Statements of Functional Expenses as Reconstructed

For the year ending June 30, 2008

	Program costs			Support			Total
	Direct Service	Preventive Service	General and Administrative	Development	2008		
Personnel	\$ 369,455	\$ 205,804	\$ 22,575	\$ 7,656	\$ 605,490		
Telephone/Yellow Pages	6,344	3,621	3,129	-	13,094		
Office expense	13,734	2,951	4,496	120	21,301		
Building expense	27,170	12,377	16,379	-	55,926		
Insurance	8,189	3,165	4,029	-	15,383		
Office equipment	3,191	974	1,348	-	5,513		
Postage	1,874	1,094	1,419	312	4,699		
Membership fees	335	-	1,147	-	1,482		
Depreciation	-	-	50,370	-	50,370		
Direct service	180,297	-	-	-	180,297		
Payroll taxes	24,807	13,533	1,434	562	40,336		
Newsletter	-	-	-	287	287		
Professional fees	-	-	2,082	-	2,082		
Library	-	-	15	-	15		
Travel	10,976	6,456	6,143	286	23,861		
Training	3,346	225	30	-	3,601		
Legal and accounting	6,755	4,445	2,836	-	14,036		
Outside services	15,638	11,861	2,791	-	30,290		
Interest expense	-	-	18,090	-	18,090		
Miscellaneous	-	-	1,628	-	1,628		
	<u>\$ 672,111</u>	<u>\$ 266,506</u>	<u>\$ 139,941</u>	<u>\$ 9,223</u>	<u>\$ 1,087,781</u>		

**AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 Nature of business and significant accounting policies

Nature of business

The AIDS Ministries/AIDS Assist of North Indiana, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana.

Through government grants and private financial support from individuals, businesses and church organizations, the Organization provides preventive educational services, testing and counseling for members of the community; and provides direct assistance and support for those infected and/or affected by HIV/AIDS in northern Indiana.

Significant accounting policies

Basis of accounting

The Organization records its transactions on the accrual basis of accounting and accordingly all significant receivables, payables, and other liabilities are reflected. The preparation of financial statements in conformity with generally accepted accounting principles also requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure notes at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of presentation

Financial statement presentations follow the recommendations of the 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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Management considers all accounts to be collected and therefore, has not established a provision for uncollectible accounts.

Donated property

Donated property is recorded at the estimated fair market value at date of receipt as determined by the owner.

Volunteer service

A number of unpaid volunteers have made contributions of their time to AIDS Ministries/AIDS Assist of North Indiana, Inc.. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. Professional services donated are valued and reflected in these statements.

Functional allocation of expenses

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

Income tax exemption

The AIDS Ministries/AIDS Assist of North Indiana, Inc. is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Indiana income taxes under a similar section of the state's gross income tax laws.

Property and equipment

Property and equipment are carried on the balance sheet at historical cost. Depreciation is calculated over the useful lives of the assets using the modified accelerated cost recovery system over the useful life of the assets. The Organization's capitalization policy is \$1,000.

**AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS**

Inventories

Inventories are valued at cost on the first in, first out (FIFO) basis.

Note 2 Grants and contributions receivable

Grants and contributions receivable consist primarily of amounts due under government cost-reimbursement grants. All amounts are due within one year, and no allowance for uncollectibility is considered necessary.

At June 30, 2009 and 2008, the Organization had approximately \$161,700 and \$196,000, respectively, of conditional promises to give in excess of allowable costs incurred under government cost-reimbursement grants. Such promises will be recognized as revenue when allowable costs are incurred.

Note 3 Grants

In addition to the government grants listed in the federal award schedule, the Organization has the following grants in effect for the year ending June 30, 2009:

Grant	Year	Amount	Income Recognized
United Way	2009	\$80,670	\$80,670
Hispanic Outreach	2009	\$15,000	\$ 6,427
Hispanic Outreach	2008	\$15,000	\$ 6,527
IAF DEFA	2009	\$12,000	\$ 3,704
IAF DEFA	2008	\$13,000	\$ 8,256
Notre Dame	2007	\$ 4,000	\$ 4,000
Drug Free Comm Cncl	2009	\$ 2,380	\$ 745
Drug Free Comm Cncl	2008	\$ 4,300	\$ 2,672
Broadway Cares	2007	\$ 5,000	\$ 5,000
TJX Companies	2008	\$ 5,000	\$ 4,612
Elkhart Community Foundation	2009	\$ 1,500	\$ 1,228

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 Debt

The Organization has a \$65,000 line of credit with a bank. The interest rate as of June 30, 2009 and 2008 was 5.25% and 7.00% with balances of \$-0- and \$-0- respectively.

Long-term debt disclosed on the statement of financial position consists of the following:

	<u>2009</u>	<u>2008</u>
Note payable, Indiana Housing Finance Authority, due in quarterly installments of \$939, including interest at 2%, through January 2009, collateralized by certain real estate.	\$ -	\$ 1,866
 Note payable to a bank, due in monthly installments of \$1,989, including interest at 5.75%, through May 2013 (balloon), collateralized by certain real estate.	 <u>227,188</u>	 <u>237,406</u>
	227,188	239,272
 Less current maturities	 <u>(11,426)</u>	 <u>(12,165)</u>
	<u>\$ 215,762</u>	<u>\$ 227,107</u>

Long-term debt is scheduled to mature as follows:

2010	\$11,426
2011	11,769
2012	12,463
2013	191,530
2014 and thereafter	-
	<u>\$ 227,188</u>

Note 5 Programs and services

Currently the Organization offers client services and prevention programs. Client services include care coordination, housing programs, social support, and medical needs assessment for the community. Prevention programs include testing, counseling education, teen peer educators, and a resource center.

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6 Building affordability periods

All buildings, except for the office building, were acquired through grants and donations. Their use is restricted for housing for homeless individuals who are HIV-positive for certain "affordability" periods that expire after ten years. If the properties are converted to another use during these periods, all or a portion of the grants or donations must be returned to the funding sources.

Note 7 Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2009 and 2008:

Time restricted for future periods:	<u>2009</u>	<u>2008</u>
Indiana AIDS Fund	\$ 16,869	\$ 14,783
Purpose restrictions:		
Support services	<u>1,634</u>	<u>8,512</u>
Total temporarily restricted net assets	<u>\$ 18,503</u>	<u>\$ 23,295</u>

Note 8 Pension plan

The Organization maintains a defined contribution SIMPLE plan under Section 408(p) of the Internal Revenue Code that covers substantially all of its full-time employees. The Organization contributed \$5,719 and \$6,099 to the plan for the years ending June 30, 2009 and 2008, respectively.

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9 Contingencies and concentrations of risk

The Organization has elected to not pay unemployment insurance to the State of Indiana. Consequently, the Organization is responsible for paying unemployment compensation claims by former employees as they are made.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. 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.

The Organization's donors and activities are concentrated in the northwest Indiana area. Consequently, its contributions, special events, and other sources of support and revenue may be affected by conditions in that area.

For the years ended June 30, 2009 and 2008, approximately 73% and 72% of total revenues, respectively, were received from state and federal governmental sources, all of which originated from the U.S. Departments of Health & Human Services and Housing and Urban Development. Approximately 38% and 45% of total revenues, respectively, passed through the Indiana Department of Health.

AIDS MINISTRIES/AIDS ASSIST OF NORTH INDIANA, INC.
SCHEDULE OF FEDERAL AWARDS
For the year ended June 30, 2009

Federal Grantor/Program	Federal CFDA Number	Agency or Pass through Number	Program or Award Amount	Federal Expenditures
U S Department of Health and Human Services				
Passed through state or local government or other organization				
Indiana Department of Health	93.940	AIDS 955-2	65,000	29,501
Indiana Department of Health	93.940	AIDS 955-2	78,600	40,078
Indiana Department of Health	93.667	ACC 955-5	225,000	225,000
US Department of Housing and Urban Development				
Paid directly				
	14.235	IN0001B5H000801	103,140	12,036
	14.235	IN36B7-0008	103,140	46,855
	14.235	IN36B702005	35,558	24,090
	14.235	IN0015B5H020801	35,558	7,903
Passed through state or local government or other organization				
Indiana FSSA/Division of Family and Children Housing & Community Services	14.231	ES-008-002	11,032	11,032
Indiana FSSA/Mental Health and Addiction	93.959	76-07-SA-0613	106,570	106,570
City of South Bend, Indiana	14.238	IN36C60-2043	40,896	438
	14.231	JES 08-02	15,312	15,312
Indiana Housing Finance Authority	14.241	CC-008-001	115,292	101,858
Life Treatment Center	14.235	Unknown	20,422	20,422
City of Elkhart, Indiana	14.235	Unknown	10,000	10,000
Center for Disease Control				
Passed through state or local government or other organization				
Indiana State Department of Health	93.959	SAPT 955-1	90,000	90,000
			<u>\$</u>	<u>741,095</u>



CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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
AIDS Ministries/AIDS Assist of North Indiana, Inc.
South Bend, IN

I have audited the financial statements of AIDS Ministries/AIDS Assist of North Indiana, Inc. (a non-profit organization) as of and for the year ended June 30, 2009, and have issued my report thereon dated October 5, 2009. I conducted my 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 my audit, I considered AIDS Ministries/AIDS Assist of North Indiana, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIDS Ministries/AIDS Assist of North Indiana, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of the 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 described below, I 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 reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-1

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.

My 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, I believe that none of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the AIDS Ministries/AIDS Assist of North Indiana, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of AIDS Ministries/AIDS Assist of North Indiana, Inc. in a separate letter dated October 5, 2009

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties.

October 5, 2009





CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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
AIDS Ministries/AIDS Assist of North Indiana, Inc.
South Bend, IN

Compliance

I have audited the compliance of AIDS Ministries/AIDS Assist of North Indiana, 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, 2009. AIDS Ministries/AIDS Assist of North Indiana, Inc.'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 AIDS Ministries/AIDS Assist of North Indiana, Inc.'s management. My responsibility is to express an opinion on AIDS Ministries/AIDS Assist of North Indiana, Inc.'s compliance based on my audit.

I conducted my 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 I 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 AIDS Ministries/AIDS Assist of North Indiana, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of AIDS Ministries/AIDS Assist of North Indiana, Inc.'s compliance with those requirements.

In my opinion, AIDS Ministries/AIDS Assist of North Indiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The management of AIDS Ministries/AIDS Assist of North Indiana, 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 my audit, I considered AIDS Ministries/AIDS Assist of North Indiana, 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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of AIDS Ministries/AIDS Assist of North Indiana, Inc.'s internal control over compliance.

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

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 items 2009-1 to be significant deficiencies.

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 any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

AIDS Ministries/AIDS Assist of North Indiana, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. I did not audit AIDS Ministries/AIDS Assist of North Indiana, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 5, 2009



AIDS MINISTRIES/AIDS ASSIST
OF NORTH INDIANA, INC.
SCHEDULE OF FINDINGS
For the year ended June 30, 2009

SECTION I

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of AIDS Ministries/AIDS Assist of North Indiana, Inc.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the federal award findings and questioned costs. It is not considered a material weakness.
3. No instances of noncompliance material to the financial statements of AIDS Ministries/AIDS Assist of North Indiana, Inc. were disclosed by the audit.
4. No reportable conditions relating to the audit of the major federal award programs were disclosed by the audit of the financial statements.
5. The auditor's report on compliance for the major federal award program expresses an unqualified opinion.
6. There were no findings relating to the financial statements that are required to be reported in the schedule of federal award findings and questioned costs in accordance with generally accepted government auditing standards.
7. The major programs were the Health and Human Services CFDA #93.667.
8. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Organization qualified as a low-risk auditee under Paragraph 530 of the OMB Compliance Supplement.
10. There were no questioned costs for federal awards.

AIDS MINISTRIES/AIDS ASSIST
OF NORTH INDIANA, INC.
SCHEDULE OF FINDINGS
For the year ended June 30, 2009

SECTION II

FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2009-1 Lack of segregation of duties

Condition: There is a significant lack of segregation of duties in the accounting function.

Criteria: Internal controls should be designed so there are divisions of responsibility in the accounting function. One person should not have total control.

Effect: The accountant is the only person entering data into the accounting system. He records payables, authorizes payments, reconciles accounts. Although he does not sign checks, he has the ability to commit and conceal fraud.

Recommendation: Procedures should be implemented requiring a different person to reconcile the checking account than the person initiating checks.

Response: With limited staff, the procedure we have put in place is as follows:

The accountant will continue to process all disbursements and create checks (checks require two signatures and the accountant isn't a check signer). Once checks are signed they will be given to the part-time IT Tech who will keep a log of all check numbers (limiting potential for fraud).

The IT Tech will be verifying that info on the check, disbursement and back-up documentation all match and that all disbursements have been approved. Once all of this has been done, the IT Tech will sign and date the disbursement form (next to the original approval)

With the staff limitations, the IT Tech was chosen for this process, due to the fact that they have the ability to follow through with the procedure and that they are the most removed from the accounting process and that their position never originates any disbursements (thus never verifying their own requests for payments).

As for reconciling the cash accounts, the long standing procedure has been that the Director of Operations & Fundraising reviews and signs off on both the bank statement (copies of checks) and the bank reconciliation itself after the accountant has completed it.

The reconciliation is done automatically through the accounting software package at the end of each month. It isn't a "manual" reconciliation and would be very difficult to manipulate. We are planning on keeping this procedure in place.

SECTION III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2009-1 HIV Care Coordination – CFDA No. 93.667; Grant No. – ACC 955-5; Grant period – year ended June 30, 2009

Significant Deficiency: The significant deficiency at Finding 2009-1 also applies to this grant.

AIDS MINISTRIES/AIDS ASSIST
OF NORTH INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2008

Year ending June 30, 2008:

FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings and questioned costs.