B39711

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

November 14, 2011

Board of Directors
The Arc of Indiana, Inc.
107 N. Pennsylvania St., Ste 800
Indianapolis, IN 46204

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2009 to December 31, 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 Arc of Indiana, Inc., as of December 31, 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.

STATE BOARD OF ACCOUNTS

focusing on the future

The Arc of Indiana, Inc.

Financial Statements
December 31, 2009 and 2008

ent : imler cpa
eicpa.com

TABLE OF CONTENTS

e:i
ent : imler cpa

8555 N. River Road, Suite 300
Keystone At The Crossing
Indianapolis, IN 46240

p: 317.842.4466
f: 317.577.7724

eicpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Indiana, Inc:

We have audited the statements of financial position of The Arc of Indiana, Inc (an Indiana non-profit organization) as of December 31, 2009, and the related statements of activities, cash flows and functional expenses 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 audits. The financial statements of the Organization, as of December 31, 2008, were audited by other auditors, whose report dated June 3, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of The Arc of Indiana, Inc as of December 31, 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary statement is presented for the purpose of additional analysis 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, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Ent : Imler CPA, PC

Ent : Imler CPA, PC

Indianapolis, Indiana
May 13, 2010

THE ARC OF INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	2009	2008
ASSETS:		
Cash and cash equivalents	$ 233,718	$ 150,499
Fees receivable	26,151	28,209
Accounts receivable, net	1,000	365
Contributions receivable	85,536	122,291
Grants receivable	94,996	375,606
Trust remainder receivable	25,322	17,559
Trust fees receivable	156,000	146,619
Prepaid expenses	4,516	15,358
Investments	730,292	805,186
Property and equipment, net	250,335	99,139
Assets held in trust	12,521,804	10,915,648
Total Assets	$ 14,129,670	$ 12,676,479

LIABILITIES AND NET ASSETS

	2009	2008
LIABILITIES:		
Accounts payable	$ 51,549	$ 165,456
Line of credit, bank	199,575	185,000
Accrued expenses	57,222	47,965
Deferred revenue	43,310	17,434
Trust liabilities	12,521,804	10,915,648
Total Liabilities	12,873,460	11,331,503
NET ASSETS:		
Unrestricted	781,772	759,605
Unrestricted - Board Designated	208,399	192,979
Temporarily restricted	125,831	252,184
Permanently restricted	140,208	140,208
Total Net Assets	1,256,210	1,344,976
	$ 14,129,670	$ 12,676,479

See independent auditors’ report and accompanying notes to the financial statements.

THE ARC OF INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:					
Support - county chapters	$ 360,221	$ -	$ -	$ -	$ 360,221
Grant revenue	1,740,896	-	-	-	1,740,896
Contributions	27,876	-	-	-	27,876
Development income	173,941	-	-	-	173,941
Bequests	140,918	-	-	-	140,918
Program fee income	500,486	-	-	-	500,486
Other	20,449	-	-	-	20,449
	2,964,787	-	-	-	2,964,787
Net assets released from restrictions and reclassifications	126,365	-	(126,365)	-	-
Total Support and Revenue	3,091,152	-	(126,365)	-	2,964,787
PROGRAM AND SERVICE EXPENSES:					
General program services	825,048	-	-	-	825,048
Grant activities	1,746,571	-	-	-	1,746,571
Trust program services	274,163	-	-	-	274,163
Total program services	2,845,782	-	-	-	2,845,782
General and administrative	314,400	-	-	-	314,400
Fund raising	35,709	-	-	-	35,709
Total expenses	3,195,891	-	-	-	3,195,891
Change in Net Assets From Operations	(104,739)	- -	(126,365) -	-	(231,104)
Other Activities:					
Investment income	126,906	15,420	12	-	142,338
Change in Net Assets	22,167	15,420	(126,353)	-	(88,766)
NET ASSETS, beginning of year	759,605	192,979	252,184	140,208	1,344,976
NET ASSETS, end of year	$ 781,772	$ 208,399	$ 125,831	$ 140,208	$ 1,256,210

THE ARC OF INDIANA, INC.
STATEMENT OF ACTIVITIES
(Continued)
YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:					
Support - county chapters	$ 368,339	$ -	$ -	$ -	$ 368,339
Grant revenue	1,516,976	-	-	-	1,516,976
Contributions	28,879	6,710	176,615	600	212,804
Development income	97,886	-	-	-	97,886
Bequests	186,200	-	-	-	186,200
Program fee income	483,617	-	-	-	483,617
Other	4,425	-	-	5,236	9,661
	2,686,322	6,710	176,615	5,836	2,875,483
Net assets released from restrictions and reclassifications	23,335	(10,134)	(13,201)	-	-
Total Support and Revenue	2,709,657	(3,424)	163,414	5,836	2,875,483
PROGRAM AND SERVICE EXPENSES:					
General program services	768,883	-	-	-	768,883
Grant activities	1,523,979	-	-	-	1,523,979
Trust program services	287,635	-	-	-	287,635
Total program services	2,580,497	-	-	-	2,580,497
General and administrative	146,978	-	-	-	146,978
Fund raising	65,994	-	-	-	65,994
Total expenses	2,793,469	-	-	-	2,793,469
Change in Net Assets From Operations	(83,812)	(3,424)	163,414	5,836	82,014
Other Activities:					
Investment income (loss)	(238,026)	(21,177)	237	-	(258,966)
Change in Net Assets	(321,838)	(24,601)	163,651	5,836	(176,952)
NET ASSETS, beginning of year	1,081,443	217,580	88,533	134,372	1,521,928
NET ASSETS, end of year	$ 759,605	$ 192,979	$ 252,184	$ 140,208	$ 1,344,976

See independent auditors' report and accompanying notes to the financial statements.

THE ARC OF INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (88,766)	$ (176,952)
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	62,841	33,242
Realized and unrealized (gain) loss on investments	(135,044)	292,280
Contributions restricted for long-term investment	-	(44,104)
Bad debt expense	-	19,467
(Increase) decrease in:		
Receivables	301,644	(190,427)
Prepaid expenses	10,842	(320)
Increase (decrease) in:		
Accounts payable	(113,907)	(24,875)
Accrued expenses	9,257	7,470
Deferred revenue	25,876	(10,965)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	72,743	(95,184)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, building, and equipment	(214,037)	(40,057)
Purchases of investments	(989,380)	(198,308)
Proceeds from sale of investments	1,199,318	265,567
Proceeds from investment in Danic	-	1,730
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(4,099)	28,932
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment	-	22,352
Net borrowings under line of credit agreement	14,575	185,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	14,575	207,352
INCREASE IN CASH AND CASH EQUIVALENTS	83,219	141,100
CASH AND CASH EQUIVALENTS, beginning of year	150,499	9,399
CASH AND CASH EQUIVALENTS, end of year	$ 233,718	$ 150,499

See independent auditors’ report and accompanying notes to the financial statements.

THE ARC OF INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services						
	General	Grant Activities	Trust	Total Program expenses	General & Administrative	Fund Raising	Total Expenses
Salaries	$ 398,882	$ 63,315	$ 127,630	$ 589,827	$ 170,949	$ -	$ 760,776
Payroll taxes	29,047	-	9,702	38,749	16,651	-	55,400
Employee benefits	85,402	-	39,846	125,248	37,638	-	162,886
Total Salaries and Related Expenses	513,331	63,315	177,178	753,824	225,238	-	979,062
Rent	12,210	3,000	4,214	19,424	3,864	-	23,288
Telephone	15,260	3,000	8,746	27,006	2,099	-	29,105
Postage	10,853	3,000	6,453	20,306	394	-	20,700
Printing and publications	22,924	-	14,526	37,450	6,273	-	43,723
Supplies	6,021	3,000	2,051	11,072	411	-	11,483
Travel	12,215	-	7,426	19,641	5,129	1,290	26,060
Vehicle expense	9,454	-	-	9,454	8,578	-	18,032
Insurance	1,500	2,500	2,077	6,077	4,859	540	11,476
Professional fees	39,917	-	13,778	53,695	20,194	2,244	76,133
Education	6,063	-	2,093	8,156	3,066	341	11,563
Special projects	82,435	-	-	82,435	-	-	82,435
Marketing	743	-	2,251	2,994	-	5,448	8,442
Special events	-	-	-	-	-	23,663	23,663
Government affairs	4,789	591	1,653	7,033	2,101	-	9,134
Bad debt expense	-	-	-	-	1,250	-	1,250
Bank charges	23,723	-	8,188	31,911	12,002	1,334	45,247
Depreciation	38,181	-	14,753	52,934	9,545	362	62,841
Miscellaneous	13,960	3,000	4,817	21,777	4,360	484	26,621
Moving expenses	11,407	1,407	3,937	16,751	5,005	-	21,756
Subscriptions	62		22	84	32	3	119
Self-Advocates grant expenses	-	11,253	-	11,253	-	-	11,253
Vocation rehabilitation grant expenses	-	196,820	-	196,820	-	-	196,820
Arc Network grant expenses	-	500,115	-	500,115	-	-	500,115
Guardianship grant expenses	-	955,570	-	955,570	-	-	955,570
Total Expenses	$ 825,048	$ 1,746,571	$ 274,163	$ 2,845,782	$ 314,400	$ 35,709	$ 3,195,891

See independent auditors' report and accompanying notes to the financial statements.

THE ARC OF INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(Continued)
YEAR ENDED DECEMBER 31, 2008

	Program Services						
	General	Grant Activities	Trust	Total Program expenses	General & Administrative	Fund Raising	Total Expenses
Salaries	$ 417,431	$ 120,296	$ 118,315	$ 656,042	$ 46,801	$ -	$ 702,843
Payroll taxes	29,516	8,506	8,366	46,388	3,308	-	49,696
Employee benefits	82,447	23,760	23,369	129,576	9,244	-	138,820
Total Salaries and Related Expenses	529,394	152,562	150,050	832,006	59,353	-	891,359
Rent	14,310	2,880	4,056	21,246	2,849	-	24,095
Telephone	13,887	2,880	3,936	20,703	2,680	-	23,383
Postage	11,141	2,880	3,158	17,179	1,579	-	18,758
Printing and publications	21,515	-	6,098	27,613	8,613	-	36,226
Supplies	8,397	2,880	2,380	13,657	481	-	14,138
Travel	19,029	-	4,614	23,643	6,517	1,614	31,774
Vehicle expense	11,547	-	3,273	14,820	4,247	375	19,442
Conferences, conventions,							-
and meetings	-	-	-	-	2,131	29,858	31,989
Fees and registration	7,640	-	2,166	9,806	2,751	306	12,863
Insurance	1,500	5,000	1,443	7,943	568	63	8,574
Professional fees	29,623	-	8,396	38,019	10,672	1,186	49,877
Education	11,372	-	3,223	14,595	4,096	455	19,146
Special projects	8,858	-	59,641	68,499	10,134	-	78,633
Marketing	-	-	2,456	2,456	-	5,347	7,803
Special events	762	-	1,755	2,517	49	24,067	26,633
Government affairs	6,192	-	3,277	9,469	2,478	-	11,947
Bad debt expense	11,562	-	7,800	19,362	9,402	463	29,227
Bank charges	27,520	-	14,222	41,742	9,915	1,102	52,759
Depreciation	14,556	-	4,398	18,954	3,639	825	23,418
Miscellaneous	15,515	2,880	1,293	19,688	2,996	333	23,017
Moving expenses	4,563	-	-	4,563	1,828	-	6,391
Self-Advocates grant expenses	-	18,481	-	18,481	-	-	18,481
Vocation rehabilitation grant expenses	-	453,345	-	453,345	-	-	453,345
Arc Network grant expenses	-	692,112	-	692,112	-	-	692,112
Guardianship grant expenses	-	188,079	-	188,079	-	-	188,079
Total Expenses	$ 768,883	$ 1,523,979	$ 287,635	$ 2,580,497	$ 146,978	$ 65,994	$ 2,793,469

See independent auditors' report and accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - The Arc of Indiana, Inc. (the Organization) is a not-for-profit organization whose mission and principal activities are to empower families with information and resources to assist them in their journey of raising a child with a disability to lead a full and meaningful life; empower people with intellectual and other development disabilities to be self-sufficient and independent to the greatest extent possible; inspire positive change in public policy and public attitudes; reduce the incidence of disabilities and serve as a spokesperson and advocate for families and their loved ones. The Organization was established in 1956 by parents of children with intellectual and other developmental disabilities who joined together to build a better and more accepting world for their children. The Organization is a member of The Arc of the United States and works with local chapters, serving families, children and adults in 61 counties throughout the state of Indiana. The Organization is also home to The Arc Master Trust, the nation's premiere Special Needs Trust, serving Hoosiers of all disabilities since 1988. The Organization's revenues and other support are derived principally from fees, contributions and federal and state grants, and its activities are conducted principally in the general, grants and trust areas.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation - As required by Financial Statement Presentation Disclosure Topic of FASB ASC, 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.

> ***Net Assets -*** The financial statements report amounts separately by class of net assets:
>
> ***Unrestricted net assets -*** Unrestricted amounts are those currently available for use in the Organization's activities.
>
> ***Temporarily restricted net assets -*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of December 31, 2009 the Organization had temporary restrictions on a portion of its net assets.
>
> ***Permanently restricted net assets -*** Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all investments purchased with a maturity of three months or less to be cash equivalents, except for cash held in long-term investment brokerage accounts awaiting reinvestment.

The financial institution holding the Organization's cash accounts is participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under the program, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. In the normal course of business, the Organization may maintain cash held at financial institutions in excess of the FDIC's limit of $250,000.

Accounts Receivable - Accounts receivable are stated at the amount billed to members and clients. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member or client.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Organization capitalizes additions of property and equipment in excess of $500 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 5 to 20 years. Expenditures for property, equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was $62,841 and $23,418 for the years ended December 31, 2009 and 2008, respectively.

Contributions - Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Deferred Revenue - Revenue from fees for county chapter memberships and annual trust fees are deferred and recognized over the periods to which the fees relate.

Government Grants - Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

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 activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions.

Costs are allocated to the programs, supporting services and fundraising costs. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Organization.

Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Impairment of Long-Lived Assets - Each year, the Organization evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. Impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. As of December 31, 2009, management has determined that no impairment exists.

Income Taxes - The Organization is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

The Organization has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings when applicable. The Organization is unaware of any uncertainties or provisions needed for income taxes.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

General - The Arc of Indiana is committed to empowering families with information and resources to assist them in their journey of raising a child with a disability to lead a full and meaningful life. Additionally the Arc of Indiana seeks to empower people with intellectual and other development disabilities to be self sufficient and independent to the greatest extent possible. The Organization's priority areas include appropriate funding and continuum of services for infants, pre-schoolers, school-aged children, and adults with developmental disabilities and other related disabilities; as well as reducing the incidence of developmental disabilities.

Grant - The Arc of Indiana oversees governmental grants that develop and implement initiatives and activities to support and expand a network of self-advocates and family members to provide awareness and information about programs and services available to those with developmental disabilities.

Trust - The Arc of Indiana is the Trustee for the Arc Master Trust II. Established in 1995, the Master Trust II allows individuals with disabilities to fund their own trust and to maintain eligibility for government benefits.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2009 Temporarily Restricted	2009 Permanently Restricted	2009 Total
Due within one year	$ 50,000	$ 40,259	$ 90,259
Due in one to five years	-	5,277	5,277
	50,000	45,536	95,536
Less			
Allowance for Uncollectible Accounts	-	(6,158)	(6,158)
Unamortized Discount	-	(3,842)	(3,842)
	$ 50,000	$ 35,536	$ 85,536

	2008 Temporarily Restricted	2008 Permanently Restricted	2008 Total
Due within one year	$ 73,500	$ 32,755	$ 106,255
Due in one to five years	-	26,036	26,036
	73,500	58,791	132,291
Less			
Allowance for Uncollectible Accounts	-	(6,158)	(6,158)
Unamortized Discount	-	(3,842)	(3,842)
	$ 73,500	$ 48,791	$ 122,291

The discount rate used for 2009 and 2008 ranged from 4.52% to 5.39%.

NOTE 4 - GRANT COMMITMENTS

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2009 have been recorded as receivables.

Following are the grant commitments that extend beyond December 31, 2009:

Grant	Term	Grant Amount	Earned as of December 31, 2009	Funding Available
The Arc Network	July 1, 2009 - June 30, 2011	$ 1,139,277	$ 276,519	$ 862,758
Total		$ 1,139,277	$ 276,519	$ 862,758

NOTE 5 - INVESTMENTS AND INVESTMENT RETURN

Investments at December 31, 2009 consisted of the following:

	2009	2008
Equity Securities	$ 405,279	$ 467,849
Corporate Debt Securities	325,013	337,337
	$ 730,292	$ 805,186

Total investment return is comprised of the following:

	2009	2008
Interest and dividends	$ 25,348	$ 33,314
Net Realized and Unrealized Gains (Losses)	116,990	(292,280)
Total investment income	$ 142,338	$ (258,966)

NOTE 6 – TRUST AGREEMENTS

The Organization collects fees and provides services in association with an independent trust, Trust I. Trust I is a master trust fund certified by the State of Indiana and restricted for the purpose of providing funds for the special needs of children after their parents or guardians are no longer living. These funds are held in a trust that is administered by the National Bank of Indianapolis, which is independent of the Organization. The amount of the fund was $25,738,636 and $20,356,701 at December 31, 2009 and 2008, respectively.

In 1995, the Organization established a Trust II account and serves as trustee. Cash and cash equivalents, including Series EE bonds, held under this agreement were $12,521,804 and $10,915,648 at December 31, 2009 and 2008, respectively. These funds are held by the Organization and are restricted for the purpose provided under the trust agreements.

The Organization charges enrollment fees for establishment of a Trust I or Trust II account. If the trust account is not fully funded, the account is charged a renewal fee annually. Once the trust account is fully funded, each trust account is charged a consulting fee based on a sliding scale of total assets for the administration of the trust account and the disbursement of trust funds.

Income generated from the trust fees are as follows:

	2009	2008
Trust Enrollment Fees	$ 133,235	$ 137,074
Trust I Renewal Fees	31,644	32,293
Trust I Consulting Fees	157,827	154,890
Trust II Consulting Fees	177,780	159,360
	$ 500,486	$ 483,617

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2009	2008
Office equipment	$ 274,607	$ 170,883
Furniture and fixtures	91,564	51,746
Leasehold improvements	80,106	-
Construction in progress	-	9,611
	446,277	232,240
Less accumulated depreciation and amortization	(195,942)	(133,101)
	$ 250,335	$ 99,139

NOTE 8 - LINE OF CREDIT

The Organization has a $200,000 revolving bank line of credit expiring in 2010. At December 31, 2009 and 2008, there was $199,575 and $185,000 borrowed against this line, respectively. The line is unsecured. Interest varies with the bank's prime rate less .5%, which was 4.5% on December 31, 2009, and is payable monthly. This line has a minimum net asset coverage covenant.

NOTE 9 - NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at year end are available for the following purposes or periods:

	2009	2008
Group Homes	$ 52,331	$ 52,319
Decision Lab	-	126,365
Future Periods	73,500	73,500
	$ 125,831	$ 252,184

Permanently Restricted Net Assets

Permanently restricted net assets at year end are restricted to:

	2009	2008
Investment in Perpetuity, the Income of which is Expendable to Support Operating Expenses	$ 140,208	$ 140,208
	$ 140,208	$ 140,208

Net Assets Released From Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2009	2008
Development Activities	$ -	$ 250
Group Homes	-	8,000
Decision Lab	126,365	-
Time Restriction Satisfied	-	4,951
	$ 126,365	$ 13,201

Amounts of $0 and $10,134 were reclassified from board-designated net assets to unrestricted net assets for the years ending December 31, 2009 and 2008, respectively.

NOTE 10 - ENDOWMENT

The Organization's endowment consists of funds established to support the operating expenses of the Organization. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as required preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at December 31, 2009 and 2008 was:

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 102,037	$ 102,037
Board-designated endowment funds	146,514	-	-	146,514
Total endowment funds	$ 146,514	$ -	$ 102,037	$ 248,551

2008	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 91,417	$ 91,417
Board-designated endowment funds	155,031	-	-	155,031
Total endowment funds	$ 155,031	$ -	$ 91,417	$ 246,448

Changes in endowment net assets for the years ended December 31, 2009 and 2008 were:

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 155,031	$ -	$ 91,417	$ 246,448
Investment return				
Investment income	-	767	-	767
Net depreciation	(8,517)	-	-	(8,517)
Total investment return	(8,517)	767	-	(7,750)
Contributions received	-	-	10,620	10,620
Appropriation of endowment assets for expenditure	-	(767)	-	(767)
Change in allowance for uncollectible contributions receivable	-	-	-	-
Endowment net assets, end of year	$ 146,514	$ -	$ 102,037	$ 248,551

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 187,933	$ -	$ 69,044	$ 256,977
Investment return				
Investment income	3,365	1,425	-	4,790
Net depreciation	(26,133)	-	-	(26,133)
Total investment return	(22,768)	1,425	-	(21,343)
Contributions received	-	-	17,137	17,137
Appropriation of endowment assets for expenditure	-	(1,425)	-	(1,425)
Impairment of investment in Danic	(10,134)	-	-	(10,134)
Change in allowance for uncollectible contributions receivable	-	-	5,236	5,236
Endowment net assets, end of year	$ 155,031	$ -	$ 91,417	$ 246,448

Amounts of donor-restricted endowment funds classified as permanently restricted net assets at December 31, 2009 and 2008, consisted of:

	2009	2008
Permanently Restricted Net Assets - Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 102,037	$ 91,417

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity for donor-specified periods, as well as those of board-designated endowment funds. The donor-restricted endowment funds are held in an interest-bearing cash account. The Organization expects its board-designated endowment funds to provide an average rate of return of approximately 5% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). For board-designated endowment funds, the Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The donor-restricted endowment funds are maintained in an interest-bearing money market fund.

The Organization has a policy (the spending policy) of appropriating for expenditure each year the interest and dividends earned during the year on the donor-restricted endowment funds, while preserving the original contributions in an interest-bearing cash account. The income from the board-designated endowment funds is reinvested unless expenditure is approved by the board.

NOTE 11 - OPERATING LEASE

The Organization has an operating lease for office space expiring in April 2015. The office lease includes a calculated discount based on noninterest-bearing checking account balances held with the bank. The Organization also leases various vehicles and equipment with expiration dates through 2011. During the years ended December 31, 2009 and 2008, $23,288 and $24,095 was expensed respectively.

The future minimum rental payments required under the operating lease for the years subsequent to December 31, 2009 are as follows:

Year	Amount
2010	$ 148,921
2011	140,920
2012	136,202
2013	136,202
2014 and thereafter	170,252
	$ 732,497

NOTE 12 - PENSION PLAN

The Organization has a defined-contribution pension plan covering substantially all employees. The contribution by the Organization is 9% of each eligible employee's salary. Pension expense was $50,589 and $58,437 for the years ended December 31, 2009 and 2008, respectively.

NOTE 13 - FAIR VALUE MEASUREMENTS

Fair Value Measurement Disclosure Topic of FASB ASC establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs are quoted market prices in active markets for identical assets or liabilities. Assets in this category generally include stock investments held by the underlying mutual funds.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Assets in this category generally include bond investments held by the underlying mutual funds.

Level 3 - Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy as of December 31, 2009 and 2008:

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 Securities include equity securities and corporate debt securities.

Series EE Savings Bonds

Series EE savings bonds are held for trust beneficiaries. The bonds, classified with the trust assets in the statement of financial position, are a Level 2 asset since the fair value is calculated using observable inputs.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2009.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2009				
Investments	$ 730,292	$ 730,292	$ -	$ -
Series EE Savings Bonds	1,500,396	-	1,500,396	-
Total	$ 2,230,688	$ 730,292	$ 1,500,396	$ -
2008				
Investments	$ 805,186	805,186	$ -	$ -
Series EE Savings Bonds	1,629,432	-	1,629,432	-
Total	$ 2,434,618	$ 805,186	$ 1,629,432	$ -

NOTE 14 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Current Economic Conditions The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, declines in contributions and grant revenue, declines in trust fees revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in membership, trust fees and grant revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact the Organization's ability to meet debt covenants or maintain sufficient liquidity.

Litigation The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

NOTE 15 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through May 13, 2010, the date the financial statements were available to be issued.