



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42781

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

October 3, 2013

Board of Directors
Future Choices, Inc.
309 N. High Street
Muncie, IN 47305

We have reviewed the audit report prepared by Summers, Carroll, Whisler, LLC, Independent Public Accountants, for the period October 1, 2008 to September 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 Future Choices, Inc., as of September 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.

STATE BOARD OF ACCOUNTS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

FUTURE CHOICES, INC.

SEPTEMBER 30, 2009

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF ACTIVITIES	2
STATEMENT OF CASH FLOW	3
STATEMENT OF FUNCTIONAL EXPENSES	4
NOTES TO FINANCIAL STATEMENTS	5

SPECIAL REPORT

INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13
--	----



Summers, Carroll, Whisler *LLC*

Certified Public Accountants

Independent Auditors' Report

Board of Directors Future Choices, Inc.

We have audited the accompanying statement of financial position of Future Choices, Inc. (a nonprofit organization) as of September 30, 2009 and the related statements of activities, cash flow, 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 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 the 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 Future Choices, Inc. as of September 30, 2009, and the changes in its net assets and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010 on our consideration of Future Choices, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Summers, Carroll, Whisler LLC

Muncie, Indiana
February 10, 2010

Future Choices, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 202,098
Cash - payee account	77,593
Accounts receivable	22,665
Grants receivable	115,777
Unconditional promises to give	108,000

Total current assets	526,133
----------------------	---------

PROPERTY AND EQUIPMENT

Equipment	47,066
Residential building	40,053
Leasehold improvements	5,829
Vehicle	2,500

Less accumulated depreciation	95,448
	44,379

51,069

OTHER ASSETS

Due from Daley Apartments, L.P.	11,850
Consulting fees receivable - Daley Apartments, L.P.	22,500
Residential building	40,084
Investment in Daley Apartments, L.P.	41,604
Notes receivable	425,000
Interest receivable	291,738

832,776

\$ 1,409,978

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Payable - payee account	\$ 77,593
Accounts payable	10,613
Accrued liabilities	1,947
Accrued wages	8,110

Total current liabilities 98,263

Notes payable 246,299

Total liabilities 344,562

NET ASSETS

Unrestricted net assets	799,773
Temporarily restricted net assets	265,643

1,065,416

\$ 1,409,978

Future Choices, Inc.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Public Support and Revenue			
Revenue			
Fees and grants/government agencies	\$ 619,994	\$ 108,000	\$ 727,994
Service fees	7,120		7,120
Program fees	7,552		7,552
Forgiveness of debt revenue	21,250		21,250
Rent income	13,807		13,807
Interest income	18,393	20,805	39,198
Miscellaneous income	27,520		27,520
Total revenue	715,636	128,805	844,441
Net assets released from restrictions			
Expiration of time and/or purpose restrictions	27,000	(27,000)	
Total public support and revenue	742,636	101,805	844,441
Expenses			
Program services			
Independent living	414,019		414,019
Minority tobacco free coalition	26,984		26,984
Housing	5,112		5,112
Project C. A. R. E.	12,089		12,089
Supporting services			
Management and general	33,002		33,002
Total program and supporting services	491,206		491,206
INCREASE IN NET ASSETS	251,430	101,805	353,235
Net assets at beginning of year	548,343	163,838	712,181
Net assets at end of year	\$ 799,773	\$ 265,643	\$ 1,065,416

The accompanying notes are an integral part of this statement.

Future Choices, Inc.
STATEMENT OF CASH FLOW
Year Ended September 30, 2009

Cash flow from operating activities:	
Increase in net assets	\$ 353,235
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	5,539
(Increase) decrease in assets:	
Payee account	(48,366)
Accounts receivable	(20,034)
Grants receivable	(115,160)
Unconditional promises to give	(81,000)
Consulting fees	(4,500)
Interest receivable	(39,034)
Increase (decrease) in liabilities:	
Payee account	48,366
Accounts payable	9,555
Accrued liabilities	606
	<hr/>
Net cash provided by operating activities	109,207
Cash flow from investing activities:	
Purchase of property and equipment	(12,638)
Purchase and refurbishing of residential building	(40,084)
	<hr/>
Net cash used in investing activities	(52,722)
Cash flow from financing activities:	
HOME grant/loan draw	28,487
Reduction of contingent notes payable	(21,250)
	<hr/>
Net cash provided by financing activities	7,237
	<hr/>
Net increase in cash	63,722
Cash at beginning of year	138,376
	<hr/>
Cash at end of year	<u>\$ 202,098</u>
	<hr/>
Interest	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

Future Choices, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2009

	Independent Living	Minority Tobacco Free Coalition	Housing	Project C.A.R.E.
Grants and donations		\$ 4,030		
Salaries and wages	\$ 245,765		\$ 2,400	\$ 11,231
Employee benefits	3,402			
Payroll tax expense	20,899		9	858
Professional fees	21,717	7,500		
Supplies	8,331	1,335		
Telephone	11,047			
Postage and shipping	336			
Rent	18,000	3,000		
Repairs and maintenance	9,235		2,703	
Printing and publications	721			
Travel	10,951	53		
Conferences, workshops and meetings	3,245	263		
Program expenses	27,143	10,503		
Bad debt				
Dues and subscriptions	4,648			
Office expenses	7,100			
Insurance	3,644			
Utilities	11,379			
Miscellaneous	1,131	86		
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	408,694	26,770	5,112	12,089
Depreciation	5,325	214		
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 414,019	\$ 26,984	\$ 5,112	\$ 12,089
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

<u>Total Program Services</u>	<u>Management & General</u>	<u>Total</u>
\$ 4,030		\$ 4,030
259,396	\$ 10,629	270,025
3,402	378	3,780
21,766	1,131	22,897
29,217	7,239	36,456
9,666		9,666
11,047		11,047
336		336
21,000		21,000
11,938		11,938
721		721
11,004		11,004
3,508		3,508
37,646		37,646
	13,500	13,500
4,648		4,648
7,100		7,100
3,644		3,644
11,379		11,379
1,217	125	1,342
452,665	33,002	485,667
5,539		5,539
<u>\$ 458,204</u>	<u>\$ 33,002</u>	<u>\$ 491,206</u>

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Future Choices, Inc. was organized in 1994 as a nonprofit corporation for the purpose of providing access to services and to conduct activities to ensure that people in Delaware County, Indiana with special needs and their families are empowered to make personal choices from a wide range of acceptable options, which lead to the greatest level of independence. Funding for this Independent Living program consists primarily of government grants in the form of program reimbursement and monthly service fees.

Another program provided by Future Choices, Inc. is its Tobacco Prevention and Cessation program (Minority Tobacco Free Coalition). The funding for this Delaware County, Indiana program consists primarily of government grants.

Approximately 85% of revenues received are from two government grants which support the Independent Living and the Tobacco Prevention and Cessation programs.

2. Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Financial Statement Presentation

In accordance with FASB ASC 958-205 *Not-For-Profit Entities*, the Organization reports 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. In addition, the Organization presents a statement of cash flow.

4. Cash and Cash Equivalents

The Organization maintains cash in accounts at local financial institutions which are insured by agencies of the U.S. Government. As required by the grant agreement, funds received from the Tobacco Use and Prevention Cessation Fund are maintained in a separate bank account. For purposes of the statement of cash flow, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Accounts and Grants Receivable

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Should management deem any accounts receivable to be uncollectible, the outstanding balance is written off to bad debts. Amounts written off to bad debts have been immaterial to the financial statements.

6. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts when material.

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Promises to Give - continued

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

7. Property and Equipment

Property and equipment are valued at cost for items purchased and at the approximate fair market value at the date acquired for items donated. The Organization's policy is to capitalize assets valued at \$500 or greater. It provides for depreciation using the straight-line method based upon the estimated useful lives of the assets. Upon retirement or sale of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if applicable, is recorded.

8. Income Tax Status

Future Choices, Inc. is a nonprofit organization qualifying under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is not liable for federal and state income taxes and no liability for such taxes appears in these statements.

The Organization has no open tax year prior to 2006.

9. Compensated Absences

Future Choices, Inc. offers a "Paid Time Off" (PTO) program whereby vacation, sick and personal time are combined. The objective of the PTO is to give staff total control over their earned days without having to account for the specific type of time off. Twelve PTO days are made available for full-time staff to use at the beginning of a calendar year, earned one day for each calendar month worked during the calendar year. Untaken earned PTO will be paid upon termination at the same rate as base wage/salary for a regularly scheduled workday. An accrual for PTO has not been made as an amount cannot be easily estimated.

10. Public Support and Revenue

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

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual events and results could differ from those assumptions and estimates.

12. Functional Allocation of Expenses

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

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE B - PAYEE ACCOUNTS

The Organization serves as the representative payee, approved by the Social Security Administration (SSA), for various consumers who require assistance with their financial responsibilities. The SSA requires the Organization to maintain a separate bank account into which the SSA makes direct deposits for each consumer to be used for the benefit of said consumer. While the SSA required the Organization to set up this payee bank account in the Organization's name, these monies do not belong to the Organization. Therefore, the Organization has recorded a current asset and an off-setting current liability presented on the statement of financial position for these two payee accounts. At September 30, 2009, the balance in each of these accounts was \$77,593.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

For the year ended September 30, 2009, the amount due from funding sources consisted of a Delaware County Minority Tobacco grant from the Tobacco Use and Prevention Cessation Fund in the amount of \$108,000, which was contracted in the year 2009.

Promises to give are due as follows:

Year ending September 30, 2010	\$ 81,000
Year ending September 30, 2011	<u>27,000</u>
Total	<u>\$108,000</u>

Uncollectible promises are expected to be insignificant.

NOTE D - OTHER ASSETS**DALEY APARTMENTS, L.P.**

During the year ended December 31, 1998, Daley Apartments, L.P. was formed. The primary source of financing for the construction of the apartments for low-income and disabled persons was in the form of low-income housing tax credits. Future Choices, Inc., as a project developer, was responsible for the receipt of those tax credits. At September 30, 2009, Future Choices, Inc. was due \$11,850 in deferred development fees, which are to be paid to Future Choices, Inc. from Daley Apartments, L.P.'s available cash flow, as defined by the agreement.

During the year ended December 31, 2000, Future Choices, Inc. entered into an agreement with Daley Apartments, L.P. whereby Future Choices, Inc. will provide social services consulting for a fee of \$6,000 per year. At September 30, 2009, Future Choices, Inc. was due \$22,500 for these consulting fees. As per an agreement with Daley Apartments, L.P., upon receipt of these consulting fees, Future Choices, Inc. is to pay a like amount to Daley Apartments, L.P. for the social services consultant's apartment rent. As stipulated by the agreement, this rent is not due until invoiced. No rent expense has been recorded during the year ending September 30, 2009.

During the year ended December 31, 2001, Future Choices, Inc. paid to Daley Apartments, L.P. a capital contribution of \$41,604 for a minority ownership in the limited partnership. As Future Choices, Inc. has no significant influence over Daley Apartments, L.P.'s operating or financial policies, this investment is recorded in the financial statements of Future Choices, Inc. using the cost method. This investment has not been evaluated for impairment because the Organization's management did not identify any events or changes in circumstances that might have an adverse effect on fair value.

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE D - OTHER ASSETS - Continued

RESIDENTIAL BUILDING

The Organization purchased a residential building with the intent to provide low-income housing available to disabled persons. At September 30, 2009, the house had not yet been placed in service.

NOTE E - NOTES AND INTEREST RECEIVABLES

Notes receivable consist of two promissory notes to Daley Apartments, L.P. (the Partnership) as detailed below. Both notes are collateralized by mortgages on the Partnership's real property.

Promissory note related to:

HOME grant/forgivable loan	\$250,000
Affordable Housing Program	<u>175,000</u>
Total	<u>\$425,000</u>

During 1998, Future Choices, Inc. received a \$250,000 HOME grant/forgivable loan from the City of Muncie, Indiana which they in turn loaned to the Partnership, as allowable by the HOME grant/forgivable loan, to contribute to the cost of construction of HOME-assisted rental units. The promissory note provides that principal along with interest is to be repaid from available cash flow, as defined. Interest is computed at the rate of 5.25%, compounded annually. The note matures May 16, 2020. After the Maturity Date or upon an Event of Default, the promissory note provides for a change in the interest rate to 8% per annum until paid in full. A requirement of the HOME grant/forgivable loan from the City of Muncie, Indiana, provides that the proceeds from the repayment of the loan and the interest received on said loan shall be reserved for use to maintain, renovate, operate, or obtain future ownership of this project. As of September 30, 2009, no payments had been received.

During 1999, Future Choices, Inc. received a \$175,000 grant from the Affordable Housing Program of the Federal Home Loan Bank of Indianapolis, which they in turn loaned to the Partnership, as allowable by the grant, for the purpose of providing funding for the construction of low-income housing. The promissory note provides that principal along with interest is to be repaid from available cash flow, as defined, subordinate to the HOME grant/forgivable loan. Interest is computed at the rate of 6.1% with all payments made being applied first to accrued interest with the balance, if any, applied to the outstanding principal balance. The note matures May 16, 2030, upon which date all outstanding principal and interest is due. As of September 30, 2009, no payments had been received.

Interest receivable is broken out below as it relates to:

HOME grant/forgivable loan	\$157,643
Affordable Housing Program	<u>134,095</u>
Total	<u>\$291,738</u>

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - NOTES PAYABLE

As described in Note E, Future Choices, Inc. received a HOME grant/forgivable loan from the City of Muncie, Indiana. The term of the HOME grant/forgivable loan is twenty years, which began on December 10, 1999, the date of the final disbursement of loan proceeds. As per the HOME grant/forgivable loan agreement, these funds need not be paid back provided there is no default of any of the provisions of said agreement. As allowable by said agreement, the loan is forgiven at the rate of 5% on each anniversary date of the final disbursement of the loan proceeds and shall be forgiven in its entirety on the 20th anniversary date of such disbursement.

Future Choices, Inc. also received a grant from the Affordable Housing Program of the Federal Home Loan Bank of Indianapolis, as described in Note E. The term of the grant is fifteen years, which began on July 6, 1999, the date of the agreement. As per the grant agreement, these funds need not be paid back provided there is no default of any of the provisions of said agreement. As allowable by said agreement, the grant is forgiven at the rate of 5% each year.

The amount of the grant/loan that is forgiven each year is recognized as unrestricted income. The carrying values of the notes payable are computed as follows.

HOME grant/forgivable loan	
Received 1999	\$250,000
Allowable annual 5% for years 2000 - 2007	100,000
Allowable annual 5% for nine months for year ending September 30, 2008	9,375
Allowable annual 5% for year ending September 30, 2009	<u>12,500</u>
Carrying value at September 30, 2009	<u>\$128,125</u>
Affordable Housing Program grant	
Received 1999	\$175,000
Allowable annual 5% for years 2000 - 2007	70,000
Allowable annual 5% for nine months of year ending September 30, 2008	6,563
Allowable annual 5% for year ending September 30, 2009	<u>8,750</u>
Carrying value at September 30, 2009	<u>\$ 89,687</u>

During the year ended September 30, 2009, Future Choices, Inc. received a HOME grant/forgivable loan from the City of Muncie, Indiana to refurbish a residential building (See Note D). The amount of the HOME grant/forgivable loan is for up to \$50,000. As per the HOME grant/forgivable loan agreement, these funds need not be paid back provided there is no default of any of the provisions of said agreement. As allowable by said agreement, the loan is forgiven in its entirety on the 20th anniversary date of the final disbursement. At September 30, 2009, the final disbursement had not yet been made. The City of Muncie, Indiana holds a mortgage securing payment of this forgivable loan during the amortization period.

HOME grant/forgivable loan at September 30, 2009	<u>\$28,487</u>
--	-----------------

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE G - RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of unconditional promises to give, payable to Future Choices, Inc. in the following year, and accrued interest income on the promissory note from Daley Apartments, L.P. relating to the HOME grant/forgivable loan.

Temporarily restricted net assets at September 30, 2009 are available as follows.

Delaware County Minority Tobacco grant, promise to give in the two years	\$108,000
Daley Apartments, L.P. accrued interest income on promissory note receivable related to HOME grant/forgivable loan available for specific uses as stipulated in Note E	<u>157,643</u>
	<u>\$265,643</u>

Net assets were released from donor restrictions by satisfying restrictions as follows.

Time restriction expired on Indiana Tobacco Prevention Coalition	<u>\$27,000</u>
--	-----------------

The following assets are temporarily restricted for the purpose of satisfying the HOME grant/forgivable loan requirements for proceeds and interest received from Daley Apartments, L.P.

Notes receivable	\$250,000
Interest receivable	<u>157,643</u>
	<u>\$407,643</u>

These restrictions have no effect on temporarily restricted net assets at September 30, 2009.

NOTE H - LINE OF CREDIT

The Organization has a \$100,000 line of credit with a bank which matures July 31, 2010, to be drawn down as needed with a variable interest rate of 0.750% over the prime rate as published in the Wall Street Journal. As per the agreement, under no circumstances will the interest rate be less than 4.0% per annum. This agreement is secured with, whether now existing or hereafter or later, all assets of the Organization and proceeds from disposition of any such property. At September 30, 2009, the Organization had no outstanding balance owing.

NOTE I - RENTAL INCOME

The Organization collects rents from the other tenants in the building in which it is headquartered. These rents are not remitted to the owner of the facility; these revenues are used to pay for facility expenses and to provide the Organization with management fees. Included in accounts receivable at September 30, 2009 is \$1,625 for rental income due.

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE J - RELATED PARTIES

Future Choices, Inc. has common board members with Daley, Inc., which is the for-profit entity which acts as an intermediary between Future Choices, Inc. and Daley Apartments, L.P. Future Choices, Inc. owns 0.1% in Daley Apartments, L.P.

Cash transactions during the year ending September 30, 2009 between these entities include the following.

Expenses paid by Future Choices, Inc. on behalf of Daley Apartments, L.P.	\$14,694
Receipt by Future Choices of social services consulting fees	\$1,500

Assets carried on the statement of financial position at September 30, 2009 derived from transactions between these entities include the following.

Accounts receivable for expenses paid on behalf of Daley Apartments, L.P.	\$15,841
Consulting fees receivable as detailed in Note D	\$22,500
Notes receivable as detailed in Note E	\$425,000
Interest receivable as detailed in Note E	\$291,738
Investment in Daley Apartments, L.P. as detailed in Note D	\$41,604
Due from Daley Apartments, L.P. as detailed in Note D	\$11,850

NOTE K - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk for cash by maintaining deposits in the same financial institution. The maximum loss that would have resulted from that risk totaled \$-0- at September 30, 2009 for the excess of the balances over the amounts that would have been covered by federal insurance.

Credit risk for receivables and other assets is concentrated because substantially all of the balances due result from arms-length transactions with Daley Apartments, L.P.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Organization is subject to laws and regulations relating to the protection of the environment. The Organization's policy is to accrue environmental and cleanup-related costs of a noncapital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Organization's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the Organization.

NOTE M - FAIR VALUE MEASUREMENTS

FASB ASC 820-10 *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820-10 are described below.

Future Choices, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE M - FAIR VALUE MEASUREMENTS - Continued

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following methods and assumptions were used to estimate fair value of certain financial instruments.

Management has determined that it is not practicable to estimate the fair value of financial instruments for which the carrying value may not approximate the fair value and which would require a future cash flow and/or present-value calculation. This determination was based primarily on management's assessment that the cost of obtaining this information appears excessive considering the anticipated materiality of any differences between the calculated fair values and the carrying values.

Carrying amounts and estimated fair market values of financial instruments at year end were as follows.

<u>Level 3:</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets:		
Cash	\$202,098	\$202,098
Cash - payee account	\$77,593	\$77,593
Accounts receivables	\$22,665	\$22,665
Grants receivable	\$115,777	\$115,777
Promises to give	\$108,000	\$108,000
Due from Daley Apartments, L.P.	\$11,850	\$11,850
Consulting fees receivable – Daley Apartments L.P.	\$22,500	\$22,500
Investment in Daley Apartments, L.P.	\$41,604	\$41,604
Notes receivable	\$425,000	\$425,000
Interest receivable	\$291,738	\$291,738
Liabilities:		
Payable - payee account	\$77,593	\$77,593
Accounts payable	\$10,613	\$10,613
Accrued liabilities	\$1,947	\$1,947
Accrued wages	\$8,110	\$8,110
Notes payable	\$246,299	\$246,299

NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 10, 2010, the date which the financial statements were available to be issued.

SPECIAL REPORT



Summers, Carroll, Whisler *LLC*

Certified Public Accountants

**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***

**Board of Directors
Future Choices, Inc.**

We have audited the financial statements of Future Choices, Inc. (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 10, 2010. 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 Future Choices, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Future Choices, Inc.'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.

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.

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 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future Choices, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Future Choices, Inc. in separate letters dated February 10, 2010.

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

Summer, Carroll, Whisler LLC

Muncie, Indiana
February 10, 2010
