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STATE OF INDIANA

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October 17, 2013

Board of Directors
White County Economic Development
P.O. Box 1031
Monticello, IN 47960

We have reviewed the audit report prepared by Cullar & Associates, PC, 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 White County Economic Development, 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

FINANCIAL REPORT

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.

December 31, 2009 and 2008

CONTENTS

CULLAR & ASSOCIATES, PC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
Monticello, Indiana

We have audited the accompanying statements of assets, liabilities, and net assets ï modified cash basis of WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC. (the ñOrganizationò) as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets ï modified cash basis, functional expenses ï modified cash basis, and cash flows ï modified cash basis for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC. as of December 31, 2009 and 2008, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Cullar & Associates, P.C.

September 7, 2010

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2009 and 2008

	2009	2008
Assets:		
Current Assets:		
Cash and cash equivalents	$ 149,309	$ 258,827
Cash held for others	10,100	-
Total current assets	159,409	258,827
Other Assets:		
Purchase options for land	7,283	-
Trademark	3,000	3,000
Total other assets	10,283	3,000
Total assets	$ 169,692	$ 261,827
Liabilities and Net Assets:		
Current Liabilities:		
Note payable	$ 65,000	$ 240,000
Agency funds held for others	10,100	-
Total current liabilities	75,100	240,000
Net Assets:		
Unrestricted	94,592	21,827
Temporarily restricted	-	-
Total net assets	94,592	21,827
Total liabilities and net assets	$ 169,692	$ 261,827

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

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
WIRED grant for Ivy Tech	$ 159,200	$ -	$ 159,200	$ 199,694	$ -	$ 199,694
Other governmental grants	10,879	-	10,879	104,362	10,000	114,362
Contributions and private grants	3,725	-	3,725	9,650	97,200	106,850
Donated services	53,586	-	53,586	48,577	-	48,577
Interest income	2,273	-	2,273	3,091	-	3,091
Leadership program	3,511	-	3,511	-	-	-
Other	1,159	-	1,159	400	-	400
Net assets released from restrictions	-	-	-	149,700	(149,700)	-
Total revenues	234,333	-	234,333	515,474	(42,500)	472,974
Expenses:						
Economic development	129,912	-	129,912	638,043	-	638,043
Management and general	31,656	-	31,656	24,200	-	24,200
Total expenses	161,568	-	161,568	662,243	-	662,243
Change in net assets	72,765	-	72,765	(146,769)	(42,500)	(189,269)
Net assets, beginning of year (as restated)	21,827	-	21,827	168,596	42,500	211,096
Net assets, end of year	$ 94,592	$ -	$ 94,592	$ 21,827	$ -	$ 21,827

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

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Years Ended December 31, 2009 and 2008

	2009			2008		
	Economic Development	Management and General	Total Expenses	Economic Development	Management and General	Total Expenses
Personnel - paid	$ 2,138	$ 19,245	$ 21,383	$ 1,718	$ 15,466	$ 17,184
Personnel - donated	50,907	2,679	53,586	46,148	2,429	48,577
Ivy Tech grant	30,638	-	30,638	560,850	-	560,850
Business development	7,059	-	7,059	1,905	-	1,905
Dues and subscriptions	1,720	-	1,720	1,127	-	1,127
Professional services	-	655	655	-	475	475
Travel and meetings	12,897	3,255	16,152	5,507	1,719	7,226
Other program expenses	13,733	-	13,733	9,045	-	9,045
Small equipment and rentals	5,498	2,273	7,771	2,600	972	3,572
Office supplies	2,127	879	3,006	2,679	1,001	3,680
Insurance	1,071	442	1,513	519	194	713
Postage	618	255	873	992	371	1,363
Communications	1,485	614	2,099	880	329	1,209
Advertising	-	1,025	1,025	3,700	945	4,645
Other	21	334	355	373	299	672
Totals	$ 129,912	$ 31,656	$ 161,568	$ 638,043	$ 24,200	$ 662,243

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

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
Years Ended December 31, 2009 and 2008

Change in Cash and Cash Equivalents:	2009	2008
Cash Flows from Operating Activities:		
Cash received from grantors, contributors, and others	$ 178,474	$ 421,306
Cash paid to grantees	(30,638)	(560,850)
Cash paid to employees, suppliers, and others	(77,344)	(52,816)
Interest income received	2,273	3,091
Net cash provided by (used in) operating activities	72,765	(189,269)
Cash Flows from Investing Activities:		
Cash paid for purchase options for land	(7,283)	-
Cash Flows from Financing Activities:		
Proceeds from note payable	-	240,000
Payments on note payable	(175,000)	-
Net cash provided by (used in) financing activities	(175,000)	240,000
Net change in cash and cash equivalents	(109,518)	50,731
Cash and cash equivalents, beginning of year	258,827	208,096
Cash and cash equivalents, end of year	$ 149,309	$ 258,827

Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$ 72,765	$ (189,269)
Add (deduct) items not requiring (providing) cash:		
None	-	-
Net cash provided by (used in) operating activities	$ 72,765	$ (189,269)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION INC. (the ñOrganizationò) is an Indiana nonprofit corporation whose purposes are to combat community deterioration in White County, Indiana by promoting stability, growth and development of business and industry in the White County trade area; recruit new business and industry into the White County trade area; and conduct charitable and educational activities necessary and appropriate to alleviate unemployment, blight, and deterioration in the White County trade area. Its operations are primarily supported by contributions and memberships from businesses and the general public and from governmental grants.

Significant Accounting Policies:

Basis of accounting:

The Organization's accounts are maintained, and these statements are prepared, on the modified cash basis of accounting, under which only revenues collected, costs and expenses paid, assets and net assets arising from cash transactions, a provision for depreciation, and contributed services are recognized. Consequently, accounts receivable, prepaid expenses, deferred revenues, accounts payable, and accrued liabilities, which may be material, are not reflected, and the financial statements are not intended to present financial position and activities in conformity with accounting principles generally accepted in the United States of America.

Use of estimates:

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

The costs of providing the program and supporting service have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets ï modified cash basis and functional expenses ï modified cash basis. Accordingly, certain expenses have been allocated between the program and supporting service benefited based on managementôs best estimates.

Net asset classes:

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

Unrestricted net assets are those currently available for use.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of revenues, expenses, and change in net assets ï modified cash basis as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Contributions:

The Organization reports unconditional gifts of cash and other assets as income when collected and considers such gifts to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses, and change in net assets ï modified cash basis as net assets released from restrictions. Conditional gifts received are not included as revenue until the conditions are substantially met.

Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. The Organization recognized $53,586 and $48,577 of such services consisting of staff services paid for by White County for the years ended December 31, 2009 and 2008, respectively, in the accompanying financial statements

Trademark:

The Organization recognizes the cost of filing for its trademark, ñBiotown,ò as an asset. Because the ten-year legal life of a trademark can be renewed indefinitely and the Organization intends to renew it until it can be donated to another local entity to make use of it, the cost of the trademark is not being amortized. The Organization periodically reviews its trademark to determine if facts and circumstances indicate that the carrying amount of the asset may not be recoverable. If such facts and circumstances do exist, the recoverability of the asset is assessed by comparing the projected undiscounted net cash flows associated with the asset against its carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value of the asset. Such assessment was performed in 2009 and concluded the value of the trademark is not impaired.

Advertising:

Advertising costs are expensed when incurred. Advertising expense was $1,025 and $4,645 for the years ended December 31, 2009 and 2008, respectively.

Income taxes:

The Organization is exempt from federal and Indiana income taxes under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return. In addition, there were no accrued interest or penalties related to unrecognized tax benefits at either December 31, 2009 or 2008 or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2006.

Adoption of new accounting standards:

In 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance on recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. FIN 48 was effective for fiscal years beginning after December 15, 2008 for non-public entities. Accordingly, the Organization adopted applicable portions of this interpretation for the year ended December 31, 2009. As a result of this adoption, the Organization did not identify any uncertain tax positions taken or expected to be taken in a tax return that would require adjustment to the financial statements.

In June 2009, the Financial Accounting Standards Board issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for disclosure of events that occur after the financial position date but before financial statements are issued. In particular, SFAS No. 165 sets forth the period after the financial position date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the financial position date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the financial position date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. Accordingly, the Organization adopted applicable portions of this standard for the year ended December 31, 2009.

NOTE 2. CORRECTION OF ERROR

Net assets at the beginning 2008 have been restated to correct an error made in 2006 in not recording as an asset the cost of a trademark. The effect of the correction was to increase net assets at the beginning of 2008 by $3,000, with no effect on revenues or expenses for the year ended December 31, 2008. The correction had no effect on the change in net assets for the year ended December 31, 2007.

NOTE 3. PURCHASE OPTIONS FOR LAND

In 2009, the Organization has entered into option agreements to purchase certain tracts of land for development purposes. The option agreements provide for a predetermined purchase price per acre depending on the year the options are exercised, ranging from $19,380 to $22,320 per acre, through 2015. The cost of the options is recorded at the $25 per acre option cost plus legal expenses and recording fees. The total cost of open options at December 31, 2009 is $7,283.

NOTE 4. NOTE PAYABLE

The note payable with a balance of $65,000 and $240,000 at December 31, 2009 and 2008, respectively, is due to White County, REMC, Inc. The note is unsecured, bears no interest, and is payable as soon as possible but no later than November 2018. Because the Organization intends to repay the loan within the next year, the entire balance has been classified as a current liability in the accompanying statements of assets, liabilities, and net assets ï modified cash basis.

NOTE 5. NET ASSETS INFORMATION

There were no restricted net assets at December 31, 2009 or 2008. Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows for the years ended December 31, 2009 and 2008, respectively:

	2009	2008
Ivy Tech project	$ -	$ 144,200
HTC ï Leadership	-	5,500
Total net assets released from restrictions	$ -	$ 149,700

NOTE 6. LEASE INFORMATION

The Organization leases office equipment under an operating lease expiring in September 2013 that requires monthly payments of $159. Minimum future operating lease payments under this lease as of December 31, 2009 for each of the next four years and in the aggregate are as follows:

2010	$ 1,911
2011	1,911
2012	1,911
2013	1,433
Total minimum future lease payments	$ 7,166

Total rent expense was $1,911 and $478 for the years ended December 31, 2009 and 2008, respectively.

NOTE 7. CONCENTRATIONS

The Organization's donors and activities are concentrated in the White County, Indiana area. Consequently, its revenues may be affected by conditions in that area. For the years ended December 31, 2009 and 2008, approximately 68% and 42%, respectively, of total revenues were received from Purdue University from a U.S. Department of Labor grant for the Ivy Tech project, and approximately 23% and 10%, respectively, of total revenues were received from White County in the form of donated staff services. Also, for the year ended December 31, 2008, approximately 21% of total revenues were received from White County in a cash grant.

NOTE 8. SUBSEQUENT EVENTS INFORMATION

Management has evaluated the period subsequent to December 31, 2009 through September 7, 2010, the date the financial statements were available to be issued, for events that did not exist at December 31, 2009 but arose after that date.

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CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION OF AUDIT MATTERS TO THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
Monticello, Indiana

We have audited the financial statements of WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC. (the ñOrganizationò) for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 7, 2010. Professional standards require that we provide you with the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards</u>

As stated in our engagement letter dated April 27, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the Organizationôs modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free or material misstatement.

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

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

<u>Planned Scope and Timing of the Audit</u>

We performed the audit according to the planned scope and timing previously communicated to you on April 27, 2010.

<u>Significant Audit Findings</u>

1. *Qualitative Aspects of Accounting Practices*

   Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, in 2009 the Organization changed its accounting policies by adopting the following new accounting standards:

- FASB Interpretation No. 48 Accounting *for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance on recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. The effects of adopting FIN 48 are disclosed in Note 1 to the financial statement under ñIncome Taxes.ò

- Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 sets forth the period after the financial position date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the financial position date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the financial position date. The effects of adopting SFAS No. 165 are disclosed in Note 8 to the financial statements.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on managementôs knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was the allocation of expenses between program and supporting services. Management allocated expenses based primarily on estimates of employee time spent on functions and on space used by function. We evaluated the key factors and assumptions used to develop the allocation of expenses between program and supporting services in determining that they are reasonable in relation to the financial statements taken as a whole.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Overstatement of membership revenues by approximately $10,000 in 2009 for agency funds held on behalf of WISER

- Understatement of donated personnel from White County by approximately $54,000 in 2009 and $49,000 in 2008

- Overstatement of 2009 expenses and understatement of assets by approximately $7,000 for land purchase options on Wolcott corridor properties
- Understatement of assets and beginning net assets for both 2009 and 2008 by $3,000 for the cost of the ñBiotownò trademark acquired in 2006
- Overstatement of both revenues and expenses of approximately $8,000 in 2009 and $16,000 in 2008 for reimbursements received on overpayments on contracts

4. *Disagreements with Management*

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

5. *Management Representations*

   We have requested certain representations from management that are included in the management representation letter dated September 7, 2010.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

This information is intended solely for the use of the Board of Directors and the Organizationøs management and is not intended to be and should not be used by anyone other than these specified parties.

Cullar & Associates, P.C.

September 7, 2010

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

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AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management
WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC.
Monticello, Indiana

In planning and performing our audit of the financial statements WHITE COUNTY ECONOMIC DEVELOPMENT ORGANIZATION, INC. (the ñOrganizationò) as of and for the years ended December 31, 2009 and 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Organizationôs internal control over financial reporting (ñinternal controlò) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizationôs internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizationôs internal control.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entityôs financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the following deficiencies in the Organizationôs internal control to be material weaknesses.

Bank Statement and Bank Reconciliation Review

There is no outside review of either the monthly bank statements or the bank statement reconciliations. Good internal controls require that no one individual be in a position to both perpetrate and conceal an error. Outside review of the bank statements and reconciliations is an important mitigating control for the lack of segregation of duties over disbursements in small organizations.

We recommend that the Treasurer or another knowledgeable Board member either receive monthly bank statements and canceled checks or review such items on-line. This person should review the bank statement contents for reasonableness and proper signatures. They should also verify that the monthly bank reconciliation properly reconciles the bank balance to the general ledger and does not include any old or unusual reconciling items.

Segregation of Duties over Cash Receipts

There is an inadequate segregation of duties over cash receipts. The Administrative Assistant opens the mail and simply passes receipts to the Executive Director who makes bank deposits, maintains the accounting software, and prepares contribution acknowledgements. Good internal controls require that no one individual be in a position to both perpetrate and conceal an error. While we realize that the Organization may not be large enough to justify hiring additional personnel to completely segregate duties, and while we are certainly not questioning the integrity of any employee, we are required by our professional standards to bring this to your attention.

We recommend that two individuals open the mail. Both individuals should sign a log listing all receipts. The Executive Director should periodically compare the log to bank statement activity and to *QuickBooks* activity. The Board Treasurer should later compare the logs to deposits reported in the monthly bank statement.

Accounting Manual

The Organization does not have a written accounting policies and procedures manual. Such a manual can prevent or reduce misunderstandings, errors, inefficient or wasted effort, and duplicated or omitted procedures. It will also help in the training and transition of new employees and assist in the delegating of duties to existing employees.

We recommend that management develop and implement an accounting manual that includes:

- Deposit and disbursement procedures
- Chart of account definitions
- General ledger maintenance procedures
- Information technology, including descriptions of hardware, software, computer protection, and back-up procedures
- Contingency plans for the survival or retrieval of important accounting and other information as well as the testing of such plans
- Procedures for tracking and accumulating information on in-kind donations
- Procedures for identifying and tracking restricted contributions
- Policies for the acceptance of contributions

Accounting Data Back-ups

Although the *QuickBooks* accounting data is backed-up on a regular basis, the back-ups are stored in the Organization's office. Consequently, both the original and backed-up data could be destroyed in the event of a disaster at the Organization's premises.

We recommend that backups be stored offsite or that on offsite service be used to backup data over the internet.

Expertise in Preparation of Financial Statements

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

Review by Outside Accountant

The Organization does not have personnel with an accounting background. Although periodically Board members have a finance background, these positions routinely turnover. Consequently, no one is in a position to consistently exercise general monitoring of the Organizationøs financial statements and activities.

We recommend the Organization engage an outside firm to periodically review general ledger and financial statement activity and recommend any adjustments or reclassifications.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Organizationøs internal control to be significant deficiencies:

Paid Invoice Cancellation

Paid invoices are not cancelled after they are paid. Consequently, it would be possible to pay an invoice twice.

We recommend that paid invoices be marked as paid to prevent duplicate payment. This could most easily be done by stamping the invoice as paid and having the check signer initial the stamp.

Voided Checks

Voided checks are not properly secured.

We recommend that voided checks have the bank routing and bank account information torn from the bottom of the checks to ensure that the checks cannot be cashed.

Monitoring of Accrual Based Items

Although the Organization is on the cash basis of accounting, it does periodically have pledges, development fees, and other receivables outstanding.

We recommend that these items be tracked and reported to the Board of Directors periodically for monitoring. We also suggest that any significant unpaid bills also be reported to the Board.

In addition, we also have the following recommendation.

New Federal Form 990

The Organization will soon be subject to filing the new federal Form 990 rather than the short form 990-EZ. This revised form includes many new corporate governance questions. Since Form 990 is available to the public, potential donors often review the return as part of their decision-making process. Consequently, we recommend that management compare the Organizationøs policies with those recommended in the return and make appropriate changes so as to provide the best image possible to potential donors.

We want to extend our appreciation for the courtesy and cooperation of your personnel during the audit.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

September 7, 2010