DRUG-FREE MARION COUNTY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

"….plans, promotes, implements and coordinates community efforts to prevent and reduce the abuse of alcohol, tobacco and other drugs among youth and adults."

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Ent & Imler CPA Group, PC
FOCUSING ON THE FUTURE

Daniel M. Ent
Steven R. Imler
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Joseph E. Gordon
Steven K. Stucky

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of the
Drug-Free Marion County, Inc.

We have audited the accompanying statements of financial position of Drug-Free Marion County, Inc. (an Indiana non-profit organization) as of December 31, 2008 and 2007 and the related statements of activities and cash flows 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 audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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 Drug-Free Marion County, Inc. as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ent & Imler CPA Group

ENT & IMLER CPA GROUP, PC

Indianapolis, Indiana
July 17, 2009

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DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2.008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS:		
Cash	$ 60,007	$ 31,450
Grants receivable	38,784	40,126
Prepaid assets	1,975	4,018
Total Current Assets	100,766	75,594
PROPERTY AND EQUIPMENT, at cost:		
Office equipment	14,868	8,901
Less: Accumulated depreciation	(7,344)	(6,371)
Property and Equipment, net	7,524	2,530
	$ 108,290	$ 78,124

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES:		
Accounts payable	$ 6,069	$ 9,903
Payroll liabilities	-	4,029
Total Current Liabilities	6,069	13,932
NET ASSETS:		
Unrestricted-undesignated	101,396	64,192
Unrestricted-board designated	825	-
Temporarily restricted	-	-
Total Net Assets	102,221	64,192
	$ 108,290	$ 78,124

See independent report and accompanying notes to the financial statements.

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	$ 9,251	$ -	$ 9,251
Strategic Prevention Framework State Incentive Grant Program Grant	-	172,089	172,089
Drug Free Community Fund Administrative Grant	128,361	-	128,361
Workshop and other income	522	-	522
In-kind contributions	10,842	-	10,842
Net assets released from restrictions by satisfaction of temporary restrictions	172,089	(172,089)	-
Total Revenue and Support	321,065	-	321,065
PROGRAM AND ADMINISTRATIVE EXPENSES:			
Personnel	182,992	-	182,992
Contractual - consultants	13,578	-	13,578
Professional fees	15,897	-	15,897
Facility expenses	11,541	-	11,541
Office supplies	4,977	-	4,977
Insurance	2,245	-	2,245
Printing	5,104	-	5,104
Travel	8,587	-	8,587
Training	2,836	-	2,836
Marketing	10,215	-	10,215
Depreciation	973	-	973
Other program expenses	23,216	-	23,216
Total Program and Administrative Expenses	283,036	-	283,036
CHANGE IN NET ASSETS	38,029	-	38,029
NET ASSETS, beginning of year	64,192	-	64,192
NET ASSETS, end of year	$ 102,221	$ -	$102,221

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

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF ACTIVITIES
(Continued)

YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	$ 1,925	$ -	$ 1,925
Strategic Prevention Framework State Incentive Grant Program Grant	-	63,225	63,225
Drug Free Community Fund Administrative Grant	154,284	-	154,284
Substance Abuse and Mental Health Services Administration Grant	12,867	-	12,867
Workshop and other income	10,376	-	10,376
Net assets released from restrictions by satisfaction of temporary restrictions	63,225	(63,225)	-
Total Revenue and Support	242,677	-	242,677
PROGRAM AND ADMINISTRATIVE EXPENSES:			
Personnel	162,417	-	162,417
Contractual - consultants	1,750	-	1,750
Professional fees	4,168	-	4,168
Facility expenses	12,446	-	12,446
Office supplies	4,748	-	4,748
Insurance	2,290	-	2,290
Printing	4,841	-	4,841
Travel	7,874	-	7,874
Training	1,492	-	1,492
Marketing	2,350	-	2,350
Depreciation	1,238	-	1,238
Loss on disposal of asset	514	-	514
Other program expenses	7,653	-	7,653
Total Program and Administrative Expenses	213,781	-	213,781
CHANGE IN NET ASSETS	28,896	-	28,896
NET ASSETS, beginning of year	35,296	-	35,296
NET ASSETS, end of year	$ 64,192	$ -	$64,192

DRUG-FREE MARION COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 38,029	$ 28,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	973	1,238
Loss on disposal of assets	-	514
Increase (decrease) in:		
Grants receivable	1,342	(16,156)
Prepaid assets	2,044	96
Increase (decrease) in:		
Accounts payable	(3,834)	3,646
Payroll liabilities	(4,030)	698
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,524	18,932
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(5,967)	(1,351)
NET CASH USED BY INVESTING ACTIVITIES	(5,967)	(1,351)
NET INCREASE IN CASH AND EQUIVALENTS	28,557	17,581
CASH AND EQUIVALENTS, beginning of year	31,450	13,869
CASH AND EQUIVALENTS, end of year	$ 60,007	$ 31,450

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

DRUG-FREE MARION COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Drug-Free Marion County, Inc. (the "Organization") is a non-profit organization organized in the state of Indiana that plans, promotes, implements and coordinates community efforts to prevent and reduce the abuse of alcohol, tobacco and other drugs among youth and adults.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. In the normal course of business, the Organization may maintain cash held at financial institutions in excess of the FDIC limit of $250,000.

Property and Equipment

Assets are recorded at historical cost, or for donations, at fair market value at the date of the donation. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 10 years. Expenditures for property and equipment and for renewals or betterments 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 statements of activities.

Depreciation expense was $973 and $1,238 for the years ended December 31, 2008 and 2007, respectively.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) would require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

In-kind contributions are recorded at fair market value and recognized as revenue in the accounting period when they are received. The Organization had $10,842 and $0 recorded as in-kind contribution revenue in the Statement of Activities at December 31, 2008 and 2007, respectively.

Support and Revenue

The Organization receives the majority of its grant revenue from two sources. The individual circumstances and requirements of each grant are considered in determining whether the funds will be recorded as revenue when received or upon execution of grant stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants Receivable

Grants receivable represent amounts billed for program and administrative services provided that have not yet been collected.

Grants receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance account is adjusted at year end to reflect the percentage of expenses considered uncollectible. As of December 31, 2008 and 2007, no allowance was deemed necessary.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

The financial statements report amounts separately by class of net assets:

Unrestricted net assets

Unrestricted amounts are those, which are currently available by the Board for use in the Organization's activities.

Temporarily restricted net assets

Temporarily restricted expendable amounts are those, which are restricted by grantors and donors for specific purposes. The Organization has no temporarily restricted net assets as of December 31, 2008 and 2007.

Permanently restricted net assets

Permanently restricted amounts are those, which are subject to donor-imposed stipulations that require that they be maintained permanently by the Organization.

Generally, the donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purposes. Currently the Organization has no permanently restricted net assets.

Designated net assets

Designated net assets represent funds set aside to pay for meetings between the executive director and potential or current donors. Designated net assets were $825 and $0 for the periods ending December 31, 2008 and 2007, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, no expenses have been recognized for income taxes in the accompanying financial statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a). The Organization has elected to defer the provisions of FIN 48, *Accounting for Income Taxes,* under the provisions of FSP FIN48-3. The Organization uses a FAS 5, *Loss Contingencies,* approach for evaluating uncertain tax positions. Management continually evaluates expiring statues of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings when applicable.

Management Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could differ from those estimates.

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. An 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 an 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.

Management has determined that no impairment existed as of December 31, 2008 and 2007.

Advertising and Marketing

It is the Organization's policy to expense advertising and marketing costs as they are incurred. Advertising expense was $10,215 and $2,350 for the years ended December 31, 2008 and 2007, respectively.

Functional Allocation of Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by management and have been summarized on a functional basis in the Statement of Activities. Management has determined that the majority of the expenses in the Statement of Activities relates to program expenses.

NOTE 2 - ECONOMIC DEPENDENCY

The Organization relies exclusively on grant funds to meet its financial needs. The grants are either renewable each year or have a duration that exceeds one year. It is always considered reasonably possible that benefactors, grantors or contributors will be lost in the near term.

NOTE 3 - OPERATING LEASES

The Organization has an operating lease for office space and equipment usage that is renewable each year. The office lease is on a month-to-month basis and is payable in monthly installments of $849, not including additional fees based upon equipment usage. For the years ended December 31, 2008 and 2007, rent expense was $8,915 and $11,037, respectively.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits of $100,000 and $250,000 effective October 3, 2008. As of December 31, 2008, the Organization had no amounts exceeding the FDIC insurable limit of $250,000.