



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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November 30, 2009

Board of Directors
Youth Service Bureau, Inc.
734 W. Delaware St., Ste. 206
Evansville, IN 47710

We have reviewed the audit report prepared by Timothy J. Otte, CPA, PC, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. 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 Youth Service Bureau, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

YOUTH SERVICE BUREAU, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Member of American Institute of Certified Public Accountants

YOUTH SERVICE BUREAU, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youth Service Bureau, Inc.
734 W. Delaware Street, Suite 206
Evansville, Indiana 47710

We have audited the accompanying statement of financial position of Youth Service Bureau, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows 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 evaluation 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 Youth Service Bureau, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows 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 May 30, 2008, on our consideration of Youth Service Bureau, Inc's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Youth Service Bureau, Inc.'s Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

May 30, 2008


Timothy J. Otte, C.P.A., P.C.

YOUTH SERVICE BUREAU, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	Unrestricted	Permanently Restricted	Total 2007
ASSETS			
Current Assets			
Cash and Equivalents	\$ 226,905	\$ 1,298	\$ 228,203
Certificate of Deposits	228,485	8,515	237,000
Accounts Receivable	7,102	-	7,102
Grants Receivable	74,461	-	74,461
Total Current Assets	536,953	9,813	546,766
Fixed Assets			
Equipment	60,340	-	60,340
Less Accumulated Depreciation	(49,834)	-	(49,834)
Total Fixed Assets	10,507	-	10,507
Total Assets	\$ 547,460	\$ 9,813	\$ 557,273
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 13,661	\$ -	\$ 13,661
Other Accrued Expenses	30,532	-	30,532
Court Reserves Fund	15,404	-	15,404
Deferred Revenue	89,189	-	89,189
Total Current Liabilities	148,786	-	148,786
Net Assets			
Unrestricted	398,674	-	398,674
Permanently Restricted	-	9,813	9,813
Total Net assets	398,674	9,813	408,487
Total Liabilities and Net Assets	\$ 547,460	\$ 9,813	\$ 557,273

See notes to financial statements

YOUTH SERVICE BUREAU, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
Public Support			
Donations	\$ 3,911	\$ 1,298	\$ 5,209
Federal, State, and Local Grants	1,042,320	-	1,042,320
United Way Allocations	47,129	-	47,129
	<u>1,093,359</u>	<u>1,298</u>	<u>1,094,657</u>
Special Events			
Revenues	22,547	-	22,547
Expenses	(7,401)	-	(7,401)
	<u>15,146</u>	<u>-</u>	<u>15,146</u>
Revenues			
Program Fees	17,144	-	17,144
Miscellaneous	2,888	-	2,888
Investment Income	15,880	-	15,880
Total Revenue	<u>35,912</u>	<u>-</u>	<u>35,912</u>
Total Support and Revenue	<u>1,144,417</u>	<u>1,298</u>	<u>1,145,715</u>
Expenses:			
Program Services	964,069	-	964,069
Support Services	165,614	-	165,614
Total Expenses	<u>1,129,683</u>	<u>-</u>	<u>1,129,683</u>
Change in Net Assets	14,734	1,298	16,032
Net Assets as of beginning of year	<u>383,940</u>	<u>8,515</u>	<u>392,455</u>
Net Assets as of end of year	<u>\$ 398,674</u>	<u>\$ 9,813</u>	<u>\$ 408,487</u>

See notes to financial statements

YOUTH SERVICE BUREAU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>Support Services</u>	<u>Total 2007</u>
Wages, Taxes, and Benefits	\$ 584,494	\$ 133,346	\$ 717,841
Professional Fees	-	7,604	7,604
Temporary Help	-	1,876	1,876
Computer Services	-	1,657	1,657
Travel & Meetings	32,138	-	32,138
Dues & Subscriptions	6,098	-	6,098
Afternoon ROCK	268,363	-	268,363
Supplies	15,237	1,885	17,122
Telephone	9,606	3,202	12,808
Postage	1,429	476	1,905
Equipment Rental and Maintenance	6,655	2,219	8,874
Printing & Copying	920	307	1,226
Rent	26,639	8,880	35,519
Insurance	5,808	1,936	7,744
Depreciation	6,307	2,102	8,410
Miscellaneous	375	125	500
	<u>\$ 964,069</u>	<u>\$ 165,614</u>	<u>\$ 1,129,683</u>

See notes to financial statements

YOUTH SERVICE BUREAU, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
Cash Flows From Operating Activities			
Increase (Decrease) in net assets	\$ 14,734	\$ 1,298	\$ 16,032
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	8,410	-	8,410
Realized (Gain) or Loss on Assets	2,012	-	2,012
(Increase) decrease in operating assets:			
Accounts Receivable	(2,037)	-	(2,037)
Grants Receivable	85,573	-	85,573
Certificates of Deposit	(37,000)	-	(37,000)
Increase (decrease) in operating liabilities:			
Accounts Payable	(11,677)	-	(11,677)
Accrued Expenses	3,120	-	3,120
Court Reserves Fund	(2,434)	-	(2,434)
Deferred Revenue	12,610	-	12,610
Net Cash Provided By Operations	<u>\$ 73,311</u>	<u>\$ 1,298</u>	<u>74,609</u>
Cash Flows From Investing Activities:			
Capital expenditures	-	-	-
Net Cash Used in Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	73,311	\$ 1,298	74,609
Cash- Beginning of Year	<u>153,594</u>	<u>-</u>	<u>153,594</u>
Cash- End of Year	<u>\$ 226,905</u>	<u>\$ 1,298</u>	<u>\$ 228,203</u>

See notes to financial statements

**YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1 – Summary of Significant Accounting Policies

Organization

Youth Service Bureau, Inc. is organized for the purpose of assisting the court systems in providing services to children and youth. The Bureau provides 24-hour crisis intervention services; education and counseling to prevent dependence on substances; education, counseling and crisis intervention services to reduce and eliminate family violence; collaboration with other organizations to research and assess the needs of young people and collaboratively coordinate with the area youth-serving resources.

The Bureau is supported primarily through donor contributions, grants, and the United Way. Approximately 92 percent of the support and revenue for the year ended December 31, 2007, came from federal, state and local grants.

Basis of Presentation

The financial statements of the Bureau have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS 117, the Bureau 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.

Income Taxes

The Youth Service Bureau, Inc. is a tax-exempt organization under the Internal Revenue Service Code Section 501(c)3. Accordingly, no provision for income taxes has been made. The Bureau is required to file Form 990, "Return of Organization Exempt from Income Tax" and the respective state form.

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

**YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Restricted Gifts

The Bureau reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of changes in net assets as net assets released from restrictions.

The Bureau reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date on the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Receivables consist primarily of reimbursement requests outstanding at year-end related to various grant agreements. The Bureau does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged to an uncollectible account.

Property and Equipment

Property and equipment items are recorded at cost. Depreciation is computed on a straight-line basis, with lives from three to twelve years. The costs of repairs and maintenance, which do not significantly improve or extend the life of respective assets, are charged to expense.

Compensated Absences

Employees of the Bureau are entitled to accumulate vacation days based upon length of service.

**YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Functional Allocation of Expenses

Salaries and related expenses are allocated to the program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical or allocated based on percent of employee time devoted to that program.

Note 2 – Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The costs of such assets as of December 31, 2007 were as follows:

	<u>Life</u>	<u>2007</u>
Equipment	3 – 12 years	\$60,340
Less accumulated depreciation		<u>(49,834)</u>
Net Book Value		<u>\$10,507</u>

The depreciation expense for 2007 was \$8,410.

Note 3 – VSC Program Reserve

The Bureau has an agreement with the Juvenile Division of the Vanderburgh Superior Court to provide a Theft Intervention Program. The Bureau acts as the collection agency and retains 25 percent to the fees collected as reimbursement for the expense of collection. The remaining fees are retained by the Bureau until such time as the court designates a need or purpose for the funds. Funds set aside at December 31, 2007 were 15,404.

Note 4 – Pension Plan

The Youth Service Bureau, Inc. maintains a voluntary annuity plan for all full-time employees who have one year of continuous service. Once an employee elects to become a participant in the plan, the Bureau will contribute an amount equal to 3 percent of the employee's gross wages. During the years ended December 31, 2007 contributions to the plan by the Bureau amounted to \$13,309.

Note 5 - Donated Services

Many volunteers have contributed numerous hours of administrative and fundraising services to the Youth Service Bureau. No objective basis is available to measure the value of such services. Therefore, no amounts have been reported in the accompanying financial statements.

**YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6 – Permanently Restricted Net Assets

Permanently restricted assets at December 31, 2007 are restricted to investments held in perpetuity. The income is expendable to support the programs and services offered and furnished by the Youth Service Bureau, Inc.

The income generated by the permanently restricted net assets used to support the programs and services for the year ended December 31, 2007 amounted to \$264.

Note 7 – Concentrations

The Bureau received approximately 92 percent of its funding from grants awarded from the federal, state and local governments for the year ended December 31, 2007.

The Bureau has checking accounts, saving accounts and certificates of deposit at a local financial institution which are in excess of the insured limit of the Federal Deposit Insurance Corporation (FDIC). These deposits exceed available insurance by approximately \$57,464 for the year ended December 31, 2007. The financial institution has not made any guarantees in addition to the FDIC guarantee.

Note 8 – Accruals Payable

The accruals payable included in the statement of financial position consisted of:

	<u>2007</u>
Salaries and payroll taxes	\$12,761
Vacations	<u>17,771</u>
Total	<u>\$30,532</u>

Note 9 – Restricted Resources

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statement of Activities as net assets released from restrictions.

**YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 10 – Operations Lease

At December 31, 2007, the Bureau was obligated under an operation lease for office space. The current leased expired July 31, 2003. The lease is currently on a month-to-month lease at the current monthly rental amount.

Lease expense was \$35,519 for the year ended December 31, 2007.

Future minimum lease payments are as follows:

<u>December 31, 2008</u>	<u>Amount</u>
Under month-to-month lease	\$36,642

Note 11 – Related Parties

The Organization obtains its long distance phone service and computer services from companies owned by two members of the Board of Directors. The rates charged to the Organization are lower rates than the Organization would normally be charged for such services.

Note 12 – Commitments and Contingencies

The Bureau is a defendant in two complaints to the Human Relations Commission. Filed in 2006, the two complaints allege race discrimination related to the employees' employment terminations. In addition, in 2007, the Bureau is a defendant in a complaint with the EEOC. The complaint alleges race discrimination and retaliation related to the employees' employment termination. Management believes that these claims are unlikely to have any material adverse effect on the Bureau.

Note 13 – Board-Designated Funds

Board-designated funds consist of \$53,932 in unrestricted cash and equivalents and \$106,441 in certificates of deposits of which the principal amount may not be invaded for any other purpose other than a purpose which the Youth Service Bureau, Inc.'s Board of Directors approves and declares to be an emergency threatening the continuation or existence of the Bureau.

SUPPLEMENTARY INFORMATION

YOUTH SERVICE BUREAU, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Grant Period	Grant Award	Federal Expenditures
<i>After School Prevention Program</i>					
U.S. Department of Health & Human Services	93.959	82-07-SA-0432	07/01/06-06/30/07	\$ 381,200	194,418
Division of Mental Health Substance Abuse and Mental Health Services Administration- Block Grants for Prevention and Treatment of Substance Abuse		82-08-SA-0432	07/01/07-06/30/08	381,200	<u>148,358</u>
Pass-through: State of Indiana Department of Health Indiana Family and Social Services Administration Division of Mental Health					
Total After School Program					<u>342,776</u>
<i>Healthy Families Indiana Fund Project</i>					
U.S. Department of Health & Human Services	93.558	82-07-60-0432	09/01/06-08/31/07	463,453	311,552
Administration for Children and Families Temporary Assistance for Needy Families		82-07-60-0432	09/01/07-08/31/08	453,453	154,188
Pass-through: State of Indiana Indiana State Department of Health, Indiana Family and Social Services Administration, Division of Family and Children	93.558	82-07-60-0432	09/01/06-08/31/07	148,026	98,684
		82-08-60-0432	09/01/07-08/31/08	148,026	<u>49,253</u>
Total Healthy Families Indiana Fund Project					<u>613,677</u>
Total Federal Expenditures					<u>\$ 956,453</u>

Note A- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Youth Service Bureau, Inc. and is presented on accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or the preparation of, the basic financial statements..

Note B- Subrecipients

Of the federal expenditures presented in the schedule, Youth Service Bureau, Inc. provided federal awards to subrecipients as follows:

<u>Program Title:</u>	<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipients</u>
Substance Abuse Prevention and Treatment Block Grant	93.959	\$ 243,923

**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
Youth Service Bureau, Inc.
734 W. Delaware Street, Suite 206
Evansville, Indiana 47710

We have audited the financial statements of Youth Service Bureau, Inc. (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. 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 Youth Service Bureau, 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 the Youth Service Bureau, Inc.'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 Youth Service Bureau, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the 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 matters that we reported to management of Youth Service Bureau, Inc. in a separate letter dated May 30, 2008.

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

May 30, 2008


Timothy J. Otte, C.P.A., P.C.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Youth Service Bureau, Inc.
734 W. Delaware Street, Suite 206
Evansville, Indiana 47710

Compliance

We have audited the compliance of Youth Service Bureau, Inc (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Youth Service Bureau, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts, and grants applicable to each of its major federal programs is the responsibility of Youth Service Bureau, Inc.'s management. Our responsibility is to express an opinion on Youth Service Bureau, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of Stated, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Youth Service Bureau, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Youth Service Bureau, Inc.'s compliance with those requirements.

In our opinion, Youth Service Bureau, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control over Compliance

The management of Youth Service Bureau, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Youth Service Bureau, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures of the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Youth Service Bureau's internal control over compliance, and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Youth Service Bureau Inc's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

May 30, 2008



Timothy J. Otte, C.P.A., P.C.

**YOUTH SERVICE BUREAU, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Youth Service Bureau, Inc.
2. No significant deficiencies in internal control were identified by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Youth Service Bureau, Inc. were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were identified during the audit.
5. The auditor's report on compliance for the major federal award programs for Youth Service Bureau, Inc. expresses an unqualified opinion on all major federal programs.
6. No audit findings were identified relating to major federal award programs for Youth Service Bureau, Inc.
7. The programs tested as a major program included:
 - After School Prevention Program- CFDA # 93.959
 - Healthy Families Indiana Fund Project- CFDA # 93.558
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Youth Service Bureau, Inc. was determined to be a low risk auditee.

B. FINDINGS- FINANCIAL STATEMENT AUDIT

No matters were reported.

**C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No matters were reported.

**YOUTH SERVICE BUREAU, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2007**

No prior audit findings.

Timothy J.  Otte CPA, PC

YOUTH SERVICE BUREAU, INC.

MANAGEMENT LETTER

DECEMBER 31, 2007

4266 Bell Road, Suite 11 • P.O. Box 308 • Newburgh IN. 47629
Phone: 812.490.8600 • Fax: 812.490.8601

Member of American Institute of Certified Public Accountants

Timothy J.  Otte CPA, PC

May 30, 2008

The Board of Directors of
Youth Service Bureau, Inc.
734 W. Delaware St., Suite 206
Evansville, IN 47710

In planning and performing our audit of the financial statements of Youth Service Bureau, Inc. for the year ended December 31, 2007, we considered the Organization's internal control structure in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented on the following pages for your consideration. This letter does not affect our report dated May 30, 2008 on the financial statements of Youth Service Bureau, Inc.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure and result in other operating efficiencies. We would be happy to discuss any of the matters described on the following pages with you at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Accounting Manual

The Organization does not have a formal accounting manual documenting the procedures of fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Management has indicated that a draft of accounting policies and procedures is in the process of being adopted

This report is intended solely for the information and use of the board of directors and management of Youth Service Bureau, Inc. and is not intended to be used by anyone other than these specified parties.

Sincerely,


Timothy J. Otte, C.P.A., P.C.
Newburgh, IN

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