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February 2, 2010

Board of Directors
Whittington Homes and Services for
Children and Families, Inc.
2423 Fairfield Ave.
Fort Wayne, IN 46807-1210

We have reviewed the audit report prepared by David Culp & Co., LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Whittington Homes and Services for Children and Families, Inc., as of December 31, 2008, 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 findings in the report. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

AUDIT REPORT

DECEMBER 31, 2008 AND 2007

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To the Board of Directors
Whittington Homes and Services for
Children and Families, Inc.
Fort Wayne, Indiana

Independent Auditor's Report

We have audited the accompanying statements of financial position of Whittington Homes and Services for Children and Families, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses 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 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 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 Whittington Homes and Services for Children and Families, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

David Culp & Co. LLP
Certified Public Accountants

Huntington, Indiana
July 21, 2009

WHITINGTON HOMES AND SERVICES FOR

CHILDREN AND FAMILIES, INC.

COMPARATIVE STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
<u>Current Assets:</u>		
Cash in bank - Notes 1 and 2	\$ 344,282	\$ 325,461
Fees receivable - Note 1	<u>299,470</u>	<u>349,467</u>
Total current assets	<u>643,752</u>	<u>674,928</u>
<u>Fixed Assets - Note 1:</u>		
Building and improvements	1,433,130	1,319,228
Equipment	377,697	365,652
Building improvements in progress	<u>-</u>	<u>66,655</u>
	1,810,827	1,751,535
<u>Less:</u> Accumulated depreciation	<u>724,355</u>	<u>671,127</u>
	1,086,472	1,080,408
Land	<u>17,326</u>	<u>17,326</u>
Total fixed assets	<u>1,103,798</u>	<u>1,097,734</u>
Total assets	\$1,747,550	\$1,772,662
	=====	=====

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 11,870	\$ 51,679
Accrued wages	31,637	21,696
Accrued medical reimbursement	45,777	30,679
Accrued vacation and sick leave	<u>45,680</u>	<u>38,619</u>
Total current liabilities	<u>134,964</u>	<u>142,673</u>
<u>Net Assets:</u>		
Unrestricted	1,548,877	1,537,502
Temporarily restricted - Note 3	<u>63,709</u>	<u>92,487</u>
Total net assets	<u>1,612,586</u>	<u>1,629,989</u>
Total liabilities and net assets	\$1,747,550	\$1,772,662
	=====	=====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support, revenue and gains</u> -			
Services - Contracts	\$ 322,576	\$ -	\$ 322,576
Services - Per diem	1,047,628	-	1,047,628
Services - Park Center	-	-	-
Reimbursements - Medical and clothing	-	-	-
Grants	15,500	18,500	34,000
Contributions - Note 1	16,569	40,906	57,475
Interest income	4,596	-	4,596
<u>Net assets released from restrictions</u> -			
Satisfaction of program requirements	<u>88,184</u>	<u>(88,184)</u>	<u>-</u>
Total support, revenue and gains	<u>1,495,053</u>	<u>(28,778)</u>	<u>1,466,275</u>
<u>Expenses</u> -			
Programs -			
Independent Living Skills	550,565	-	550,565
Therapeutic Foster Care	292,759	-	292,759
Scattered Sites	27,047	-	27,047
Home-Based Therapy	245,475	-	245,475
Youth Intensive Care	<u>821</u>	<u>-</u>	<u>821</u>
Total program services	<u>1,116,667</u>	<u>-</u>	<u>1,116,667</u>
Supporting services -			
General and Administrative	304,757	-	304,757
Fundraising	<u>62,254</u>	<u>-</u>	<u>62,254</u>
Total supporting services	<u>367,011</u>	<u>-</u>	<u>367,011</u>
Total expenses	<u>1,483,678</u>	<u>-</u>	<u>1,483,678</u>
<u>Change in net assets</u> - Note 4	11,375	(28,778)	(17,403)
<u>Net Assets:</u>			
Beginning of year	<u>1,537,502</u>	<u>92,487</u>	<u>1,629,989</u>
End of year - Note 4	\$ 1,548,877 =====	\$ 63,709 =====	\$1,612,586 =====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support, revenue and gains</u> -			
Services - Contracts	\$ 176,872	\$ -	\$ 176,872
Services - Per diem	933,312	-	933,312
Services - Park Center	141,550	-	141,550
Reimbursements - Medical and clothing	4,071	-	4,071
Grants	1,000	27,200	28,200
Contributions - Note 1	15,732	21,534	37,266
Interest income	16,581	-	16,581
 <u>Net assets released from restrictions</u> -			
Satisfaction of program requirements	<u>57,779</u>	<u>(57,779)</u>	<u>-</u>
Total support, revenue and gains	<u>1,346,897</u>	<u>(9,045)</u>	<u>1,337,852</u>
 <u>Expenses</u> -			
<u>Programs</u> -			
Independent Living Skills	483,961	-	483,961
Therapeutic Foster Care	234,442	-	234,442
Scattered Sites	19,710	-	19,710
Home-Based Therapy	119,297	-	119,297
Youth Intensive Care	<u>187,020</u>	<u>-</u>	<u>187,020</u>
Total program services	<u>1,044,430</u>	<u>-</u>	<u>1,044,430</u>
Supporting services -			
General and Administrative	338,432	-	338,432
Fundraising	<u>50,474</u>	<u>-</u>	<u>50,474</u>
Total supporting services	<u>388,906</u>	<u>-</u>	<u>388,906</u>
Total expenses	<u>1,433,336</u>	<u>-</u>	<u>1,433,336</u>
 <u>Change in net assets</u> - Note 4	(86,439)	(9,045)	(95,484)
 <u>Net Assets:</u>			
Beginning of year	<u>1,623,941</u>	<u>101,532</u>	<u>1,725,473</u>
End of year - Note 4	\$ 1,537,502 =====	\$ 92,487 =====	\$1,629,989 =====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Independent Living Skills</u>	<u>Therapeutic Foster Care</u>
Salaries	\$ 309,185	\$ 90,881
Payroll taxes	22,128	6,851
Employee benefits - Note 5	23,707	7,685
Retirement benefits - Note 6	<u>248</u>	<u>106</u>
Total salaries and related expenses	355,268	105,523
Foster per diem	-	128,723
Resident -		
Other	14,116	232
Food	22,008	-
Medical	2,010	5
Clothing	7,359	-
Household	7,983	-
Personal care	6,033	-
Education	5,854	-
Child care	5,138	-
Professional fees	13,354	10,659
Insurance	-	3,306
Utilities	13,623	3,620
Bad debt expense	-	-
Telephone	12,132	3,107
Miscellaneous	1,732	1,805
Mileage	3,107	5,497
Office expense	8,703	2,161
Repairs and maintenance	23,775	5,203
Auto expense	21,193	-
Public relations	3,639	1,391
Staff professional development	1,229	1,002
Dues and subscriptions	-	-
Unbudgeted	-	-
Printing and postage	20	20
Operating leases - Note 7	1,784	-
Meetings	<u>-</u>	<u>-</u>
Total expenses before depreciation	530,060	272,254
Depreciation - Note 1	<u>20,505</u>	<u>20,505</u>
Total expenses	\$ 550,565 =====	\$ 292,759 =====

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

<u>Scattered Sites</u>	<u>Home-Based Therapy</u>	<u>Youth Intensive Care</u>	<u>General And Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 20,080	\$ 177,040	\$ 821	\$ 170,529	\$45,894	\$ 814,430
1,414	12,755	-	16,203	3,462	62,813
976	13,809	-	12,530	3,389	62,096
<u>68</u>	<u>68</u>	<u>-</u>	<u>1,235</u>	<u>-</u>	<u>1,725</u>
22,538	203,672	821	200,497	52,745	941,064
-	-	-	-	-	128,723
-	-	-	-	-	14,348
-	-	-	-	-	22,008
-	-	-	-	-	2,015
-	-	-	-	-	7,359
-	-	-	-	-	7,983
-	-	-	-	-	6,033
-	-	-	-	-	5,854
-	-	-	-	-	5,138
217	2,738	-	13,074	370	40,412
-	-	-	27,675	-	30,981
-	-	-	3,821	1,174	22,238
-	2,941	-	-	-	2,941
569	4,950	-	3,913	1,191	25,862
144	14,868	-	3,376	1,834	23,759
1,697	7,660	-	1,619	937	20,517
425	6,083	-	3,421	1,098	21,891
-	-	-	5,633	1,687	36,298
-	-	-	-	-	21,193
1,346	589	-	1,418	-	8,383
91	1,954	-	493	483	5,252
-	-	-	5,582	735	6,317
-	-	-	7,525	-	7,525
20	20	-	1,819	-	1,899
-	-	-	4,070	-	5,854
<u>-</u>	<u>-</u>	<u>-</u>	<u>316</u>	<u>-</u>	<u>316</u>
27,047	245,475	821	284,252	62,254	1,422,163
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,505</u>	<u>-</u>	<u>61,515</u>
\$ 27,047	\$ 245,475	\$ 821	\$ 304,757	\$62,254	\$1,483,678
=====	=====	=====	=====	=====	=====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Independent Living Skills</u>	<u>Therapeutic Foster Care</u>
Salaries	\$ 297,336	\$ 68,774
Payroll taxes	19,319	5,414
Employee benefits - Note 5	20,753	7,494
Retirement benefits - Note 6	<u>574</u>	<u>59</u>
Total salaries and related expenses	337,982	81,741
Foster per diem	-	111,124
Resident -		
Other	12,428	238
Food	15,656	-
Medical	2,402	10
Clothing	7,355	-
Household	6,287	-
Personal care	5,447	-
Education	2,016	19
Child care	12,060	-
Professional fees	11,163	3,342
Insurance	-	2,451
Utilities	9,885	1,707
Telephone	6,476	1,129
Miscellaneous	3,899	3,576
Mileage	2,670	4,585
Office expense	4,811	1,160
Repairs and maintenance	5,093	885
Auto expense	12,028	-
Public relations	4,038	1,941
Staff professional development	1,159	553
Dues and subscriptions	-	-
Unbudgeted	-	-
Printing and postage	307	185
Operating leases - Note 7	1,003	-
Meetings	<u>-</u>	<u>-</u>
Total expenses before depreciation	464,165	214,646
Depreciation - Note 1	<u>19,796</u>	<u>19,796</u>
Total expenses	\$ 483,961 =====	\$ 234,442 =====

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

<u>Scattered Sites</u>	<u>Home-Based Therapy</u>	<u>Youth Intensive Care</u>	<u>General And Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 12,935	\$ 89,739	\$ 142,977	\$ 215,367	\$38,475	\$ 865,603
1,024	6,462	8,486	23,293	3,003	67,001
1,171	3,476	3,437	11,311	3,431	51,073
<u>59</u>	<u>216</u>	<u>59</u>	<u>1,207</u>	<u>-</u>	<u>2,174</u>
15,189	99,893	154,959	251,178	44,909	985,851
-	-	-	-	-	111,124
-	-	1,276	-	-	13,942
-	-	4,149	-	-	19,805
-	-	131	-	-	2,543
-	-	1,126	-	-	8,481
-	-	833	-	-	7,120
-	-	315	-	-	5,762
-	-	123	-	-	2,158
-	-	-	-	-	12,060
573	728	4,795	11,273	370	32,244
-	-	-	27,902	-	30,353
-	-	4,908	2,844	710	20,054
163	1,221	3,063	2,179	443	14,674
58	8,071	1,592	4,103	1,685	22,984
1,283	4,693	1,288	517	189	15,225
342	2,058	2,570	3,717	418	15,076
-	-	2,338	1,371	514	10,201
-	-	-	-	-	12,028
1,932	626	1,948	2,476	15	12,976
132	1,797	756	741	518	5,656
-	-	-	4,801	634	5,435
-	-	-	359	-	359
38	210	199	2,210	69	3,218
-	-	651	2,677	-	4,331
<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>	<u>-</u>	<u>288</u>
19,710	119,297	187,020	318,636	50,474	1,373,948
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,796</u>	<u>-</u>	<u>59,388</u>
\$ 19,710	\$ 119,297	\$ 187,020	\$ 338,432	\$50,474	\$1,433,336
=====	=====	=====	=====	=====	=====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ (17,403)	\$(95,484)
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	61,515	59,388
(Increase) Decrease in -		
Fees receivable	49,997	(158,556)
Increase (Decrease) in -		
Accounts payable	(39,809)	42,709
Accrued wages	9,941	1,938
Accrued medical reimbursement	15,098	2,764
Accrued vacation and sick leave	<u>7,061</u>	<u>(2,129)</u>
 Net cash provided by (used in) operating activities	 <u>86,400</u>	 <u>(149,370)</u>
 <u>Cash flows from investing activities:</u>		
Purchase of fixed assets	<u>(67,579)</u>	<u>(90,806)</u>
 Net cash (used in) investing activities	 <u>(67,579)</u>	 <u>(90,806)</u>
 <u>Net increase (decrease) in cash and cash equivalents</u>	 18,821	 (240,176)
 <u>Cash and cash equivalents, beginning of year</u>	 <u>325,461</u>	 <u>565,637</u>
 <u>Cash and cash equivalents, end of year</u>	 \$ 344,282 =====	 \$ 325,461 =====

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

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Note 1: Accounting policies -

Nature of organization's activities - Whittington Homes and Services for Children and Families, Inc. is a non-profit organization located in Fort Wayne, Indiana, Allen County. The Organization operates programs designed to provide a positive and healthy environment for children, young men and women, and in select programs, the entire family. These programs are as follows:

Independent Living Skills - Has the ability to accommodate up to 15 young women and 9 small children within its three apartments. The program is designed to provide an opportunity for the residents to learn the responsibilities of living on their own and how to care for a child, if applicable. Those most suitable for the program are teens needing independent living skills, pregnant teens, and teen mothers. Placement into the program is usually court-appointed, and the ages of the young women range from 16 to 21 years.

Therapeutic Foster Care - Provides a home for those children who have been abused and neglected; pregnant, unwed mothers; and status offenders. The children range in age from infancy to 21 years. The foster parents receive continuous training and are supported by staff of the Organization. The children are provided a more stable and nurturing environment in which to live while in this program.

Scattered Sites - Provides an opportunity for adolescents to practice the independent living skills that they have learned either through the Organization's independent living skills program, or through programs offered through other organizations. Individuals in this program receive minimum supervision, which is directed toward helping them manage their time and money. This program further develops the individuals' ability to make it on their own in a constructive manner. The goal is long-term health and permanency for the family and a positive environment for the child or children to grow.

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 1: Accounting policies (Continued) -

Youth Intensive Residential Care Program - Provides around-the-clock supervision and on-site clinical intervention for children between the ages of 6 to 13 years. The program is for the stabilization of children who are deemed to be in the "hard-to-place" category, due to their overall needs. Previously, the children might have been placed in numerous foster care homes and subsequently removed due to the serious nature of their behavior and/or treatment needs.

Home Based Intensive Family Preservation and Reunification Services - Provides intensive therapeutic in-home social services to families. The intensive in-home based programs are designed to prevent unnecessary out of home placement for children and to reunite families when children have been placed out of the home. For the long-term health of the family, therapists work as a team with the family in areas of parent training, behavioral management, and relapse prevention. As a result, these services give the family a chance to learn new behaviors and help them make better choices for their families.

The majority of fees for these services are charged to different county placement agencies. Consequently, the Organization's ability to collect the amounts due is affected by local economic fluctuations.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

Cash and cash equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 1: Accounting policies (Continued) -

Contributions - Contributions of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the 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. If a donor restriction is satisfied in the period the gift is received, this support is reported as unrestricted revenue. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

Receivables - Fees receivable are due from government and other significant funding sources. Management of the Organization believes that all fees will be fully collected within six months. No allowance for doubtful accounts is deemed necessary.

Fixed assets - Fixed assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Items with cost or value of \$500 or more or a useful life of one year or more are capitalized. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

Maintenance and repairs are charged against income as incurred. Improvements which increase the useful life or productive capacity of the assets are capitalized.

The Organization recognizes gain or loss on fixed assets at the time of retirement or sale prior to the end of the estimated useful life of the asset. Cost and accumulated depreciation are removed from the asset and reserve accounts at retirement or sale.

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 1: Accounting policies (Continued) -

Depreciation - Depreciation charged against income for the years ended December 31, 2008 and 2007, was \$61,515 and \$59,388, respectively.

The Organization depreciates fixed assets over their estimated useful lives using the straight-line and modified ACRS methods. Estimated useful lives for computing depreciation were as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-50
Equipment	5- 7

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

Contributed services - During the years ended December 31, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Note 2: Credit risk and concentrations - The Organization receives a significant amount of its funding from state and local government agencies. A substantial reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities.

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 3: Temporarily restricted net assets - Temporarily restricted net assets are held for the following purposes:

	2008	2007
Therapeutic resources	\$ 8,586	\$ 8,586
Market web and billboard	177	408
Network upgrades	8,246	11,111
Computer resource position	-	898
New program furniture	13,856	356
Van	2,300	-
Substance abuse education	-	690
Clinical staffing	-	4,680
Roof repair project	19,629	42,648
Computers	5,356	15,000
Books	60	60
Education	130	130
Client mentoring program	5,369	900
Household items	-	500
TLS program	-	1,000
Counseling	-	5,520
Total	\$63,709	\$92,487
	=====	=====

Note 4: State governmental revenue - Revenue from the State of Indiana is detailed as follows:

	2008	2007
State of Indiana -		
Department of Family and Children -		
Allen County	\$ 795,933	\$ 647,069
Elkhart County	21,186	10,837
DeKalb County	33,386	17,288
Kosciusko County	12,985	-
Lake County	224,916	298,192
Marion County	-	4,071
Noble County	25,105	-
Porter County	18,791	-
St. Joseph County	237,901	39,216
Steuben County	-	17,664
Wabash County	-	9,289
Indiana Family and Social Services Administration	-	70,627
Total	\$1,370,203	\$1,114,253
	=====	=====

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 5: Medical reimbursement plan - The Organization accrues \$286 per month for each full-time employee which is used to reimburse its employees for medical-related expenses and health insurance premiums on policies acquired by the employee. This is done in lieu of a company-sponsored health and medical plan. Each employee pays for their own insurance and medical bills and submits a claim to the Organization for reimbursement. The Organization's liability is limited to the amount accrued.

Note 6: Defined contribution pension plan - The Organization sponsors a defined contribution pension plan for all eligible employees. Employees who are 21 years of age with one year's service of 1,000 or more hours may participate in the Plan. Individual contributions are not mandatory. The Organization matches 25% of an employee's contribution up to 6% of the employee's base salary. An employee is entitled to the employer's discretionary match after he or she has been employed for 3 years. Distributions from the Plan are possible only after an individual has reached the age of 59 1/2. Contributions to the Plan totaled \$1,725 in 2008 and \$2,174 in 2007.

Note 7: Operating lease commitments - The Organization leases equipment under an operating lease agreement, which expires May 31, 2009. Total rental expense under this lease was \$2,737 in 2008 and \$2,460 in 2007.

Minimum future lease payments under the noncancellable lease having initial or remaining terms in excess of one year as of December 31, 2008 are \$1,222 for the year ended December 31, 2009.

Note 8: Third party reimbursements - Park Center - In 2007, the Organization had agreements with various counties to provide therapeutic and group counseling to its residents. Often the residents required additional counseling, which is not covered in the agreement with the counties. If the residents were covered under Medicaid, the Organization would bill Medicaid and, in most cases, would be reimbursed for the additional counseling services.

WHITINGTON HOMES AND SERVICES FOR

CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

Note 8: Third party reimbursements - Park Center (Continued) -

The Organization also had an agreement with the various counties to be reimbursed for clothing purchased for the residents upon entering the residential program. The Organization had a clothing requirement, and to the extent an in-coming resident does not meet the requirement, the Organization would purchase the required amount and/or type of clothing for the resident. The agreement called for the counties to reimburse the Organization for the purchased clothing. The reimbursable amount ranged from \$200 to \$300 per resident, depending on the agreements with the counties.

Note 9: Related party transactions - The Organization purchased supplies from a company that employs a member of its Board of Directors. The cost for these supplies totaled none for 2008 and \$6,661 for 2007.

Note 10: Federal income taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

July 21, 2009

To the Board of Directors
Whittington Homes & Services for
Children and Families, Inc.
Fort Wayne, Indiana 46807-1210

We have audited the financial statements of Whittington Homes & Services for Children and Families, Inc. for the year ended December 31, 2008, and have issued our report thereon dated July 21, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 1, 2008, 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 U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of Whittington Homes & Services for Children and Families, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
3. 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.

To the Board of Directors
Whittington Homes & Services for
Children and Families, Inc.
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July 21, 2009

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Executive Director in our meeting about planning matters on February 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Whittington Homes & Services for Children and Families, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. 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 management's 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 disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

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. Management has corrected all such misstatements. The correcting entries are attached.

To the Board of Directors
Whittington Homes & Services for
Children and Families, Inc.
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July 21, 2009

Disagreements with Management

For 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 21, 2009.

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 "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's 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.

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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In our audit, we noted there were several old furniture and equipment items included on the detailed fixed asset listing. We recommend that a physical count of furniture and equipment should be periodically taken, especially removable equipment items, and compared to the detailed fixed asset listing. Such physical counts will help detect the loss or unauthorized use of property, assist in planning for capital expenditures and help determine accurate amounts and values of insurable assets.

To the Board of Directors
Whittington Homes & Services for
Children and Families, Inc.
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July 21, 2009

During the year, several unallowable expenses had been approved and paid. Checks submitted to the Executive Director for signature should in every case be accompanied by the supporting invoices which should be initialed to reflect final approval for payment, and to prevent reuse of the invoices. We recommend that a stamp imprint, providing for check number, date paid, account charged, approval of prices, receipt of goods or services, approval of footings and extensions, and final approval for payment by the check signer, be impressed on each supporting invoice prior to payment. Final approval for payment should be dependent on proper preliminary approvals as indicated. In the case of expenditures not likely to be supported by formal invoices, we recommend that preprinted "check request" forms be made available that will provide for date, payee, check number, description of expenditure, and approval signature. These would serve as the supporting document accompanying checks to be signed. This procedure would also be appropriate for review and approval of credit card invoices. All items listed on a credit card invoice must have a supporting invoice.

This information is intended solely for the use of the Board of Directors and management of Whittington Homes & Services for Children and Families, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

David Culp & Co. LLP
Certified Public Accountants

Enclosure

Board of Directors
Whittington Homes and Services for Children
and Families, Inc.
2423 Fairfield Avenue
Fort Wayne, Indiana 46807

In planning and performing our audit of the financial statements of Whittington Homes and Services for Children and Families, Inc. (the Organization) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 a 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. We consider the following deficiencies to be significant deficiencies in internal control.

1. Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Organization does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in organizations of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

A material weakness is a significant deficiency, or a 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. We believe that the following deficiency constitutes a material weakness:

1. During the audit, we identified and recommended a material adjusting entry to the financial statements that was not identified by the Organization's internal control. The entry was an adjustment that should have been recorded during the year and prior to the audit. We believe that the Organization should review and evaluate transactions monthly or quarterly for proper reporting.

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

Yours very truly,

David Culp & Co. LLP
Certified Public Accountants

July 21, 2009