B34432

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

May 27, 2009

Board of Directors
Youth Opportunity Center, Inc.
3700 W. Kilgore Ave.
Muncie, IN 47304

We have reviewed the audit report prepared by Whitinger & Company, LLC, Independent Public Accountant, for the period July 1, 2007 to June 30, 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 Youth Opportunity Center, Inc., as of June 30, 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.

STATE BOARD OF ACCOUNTS

YOUTH OPPORTUNITY CENTER, INC.
MUNCIE, INDIANA

FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

TABLE OF CONTENTS

WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Youth Opportunity Center, Inc.
Muncie, Indiana

We have audited the accompanying statement of financial position of Youth Opportunity Center, Inc. (a non-profit organization) as of June 30, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Youth Opportunity Center, Inc. as of June 30, 2008 and 2007, and the changes in their net assets and its cash flows for the years 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 September 17, 2008, on our consideration of Youth Opportunity Center, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1100 W. WHITE RIVER BOULEVARD | P.O. BOX 631 | MUNCIE, INDIANA 47308-0631
765.284.3384 PHONE | 765.741.5675 FAX

Our audit was performed for the purpose of forming an opinion on the basic financial statements 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.

Whitinger & Company LLC
Certified Public Accountants

September 17, 2008

FINANCIAL STATEMENTS

YOUTH OPPORTUNITY CENTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	$ 2,868,118	$ 2,102,190
Accounts receivable	3,528,487	4,640,790
Prepaid expense	194,586	109,055
Marketable debt and equity securities (Note 2)	2,300,285	2,253,984
Interest receivable	13,867	13,004
Total Current Assets	$ 8,905,343	$ 9,119,023
PROPERTY AND EQUIPMENT		
Land	$ 268,054	$ 268,054
Building and improvements	18,433,564	15,675,839
Furniture and fixtures	1,308,310	1,001,950
Equipment	1,059,888	1,031,309
Transportation equipment	451,281	431,162
Construction in progress	204,706	1,722,588
	$ 21,725,803	$ 20,130,902
Less accumulated depreciation	(6,003,250)	(5,353,355)
Total Property and Equipment	$ 15,722,553	$ 14,777,547
OTHER ASSETS		
Investments in limited partnerships (Note 2)	$ 1,172,614	$ 2,234,329
Cash value of life insurance	49,433	46,124
457(b) plan investment (Note 9)	42,523	
Giving plaza sculpture	88,480	88,480
	$ 1,353,050	$ 2,368,933
Total Assets	$ 25,980,946	$ 26,265,503

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2008	2007
CURRENT LIABILITIES		
Current portion of long-term liabilities (Note 3)	$ 527,641	$ 415,521
Accounts payable	483,484	226,236
Line of credit (Note 5)	400,000	1,438,244
Provision for medical insurance	190,000	190,000
Accrued interest	15,652	27,282
Accrued salaries and wages	324,942	254,160
Accrued vacation pay	430,555	392,674
Other accrued expenses	35,171	56,063
Total Current Liabilities	$ 2,407,445	$ 3,000,180
LONG-TERM LIABILITIES		
Debt obligations, net of current portion (Note 3)	$ 9,589,821	$ 8,417,467
457(b) plan payable (Note 9)	42,523	
Total Liabilities	$ 12,039,789	$ 11,417,647
NET ASSETS		
Unrestricted	$ 12,358,852	$ 12,356,633
Temporarily restricted (Note 10)	1,582,305	2,491,223
Total Net Assets	$ 13,941,157	$ 14,847,856
Total Liabilities and Net Assets	$ 25,980,946	$ 26,265,503

YOUTH OPPORTUNITY CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support			
Youth Opportunity Center	$ 248,088	$ 340,211	$ 588,299
Revenue			
Youth Opportunity Center	$ 9,921,255		$ 9,921,255
Detention Center	1,334,332		1,334,332
Outpatient Services	896,141		896,141
Youth Service Bureau	496,408		496,408
TASC Unit	3,486,334		3,486,334
Randolph Youth Center	843,410		843,410
Total Revenue	$ 16,977,880		$ 16,977,880
Interest income	$ 163,760	$ 8,334	$ 172,094
Earned discounts	294		294
Loss on disposal of equipment			
Loss from limited partnership investments, net (Note 2)		(1,005,715)	(1,005,715)
Gain on sale of investment	55,492		55,492
Unrealized gain (loss) on investment	(111,828)		(111,828)
Total Public Support and Revenue	$ 17,333,686	$ (657,170)	$ 16,676,516
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	$ 251,748	$ (251,748)	
EXPENSES			
Youth Opportunity Center	$ 9,792,303		$ 9,792,303
Detention Center	2,256,945		2,256,945
Outpatient Services	693,558		693,558
Youth Service Bureau	784,331		784,331
TASC Unit	3,252,212		3,252,212
Randolph Youth Center	803,866		803,866
Total Expenses	$ 17,583,215		$ 17,583,215
INCREASE (DECREASE) IN NET ASSETS	$ 2,219	$ (908,918)	$ (906,699)
NET ASSETS, BEGINNING OF YEAR	12,356,633	2,491,223	14,847,856
NET ASSETS, END OF YEAR	$ 12,358,852	$ 1,582,305	$ 13,941,157

2007		
Unrestricted	Temporarily Restricted	Total
$ 9,254	$ 317,958	$ 327,212
$ 9,184,071		$ 9,184,071
1,409,498		1,409,498
897,394		897,394
503,230		503,230
3,459,337		3,459,337
843,866		843,866
$ 16,297,396		$ 16,297,396
$ 171,088	$ 7,308	$ 178,396
405		405
(4,124)		(4,124)
	(59,495)	(59,495)
36,615		36,615
91,096		91,096
$ 16,601,730	$ 265,771	$ 16,867,501
$ 305,703	$ (305,703)	
$ 8,778,045		$ 8,778,045
2,203,699		2,203,699
689,170		689,170
714,162		714,162
3,096,941		3,096,941
778,811		778,811
$ 16,260,828		$ 16,260,828
$ 646,605	$ (39,932)	$ 606,673
11,710,028	2,531,155	14,241,183
$ 12,356,633	$ 2,491,223	$ 14,847,856

YOUTH OPPORTUNITY CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services provided	$ 19,021,002	$ 15,615,414
Cash received from grants and contributions	584,990	308,730
Cash paid to suppliers and employees	(17,274,219)	(15,765,716)
Interest received	171,232	180,911
Interest paid	(317,907)	(340,520)
Miscellaneous income	21,637	8,705
Net Cash Provided By Operating Activities	$ 2,206,735	$ 7,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building, and improvements	$ (1,326,384)	$ (1,500,782)
Purchase of furniture and equipment	(268,517)	(258,329)
Purchase of investments	(1,309,061)	(532,639)
Distributions from limited partnership	16,000	
Sale of investments	1,200,924	528,142
Net Cash Used For Investing Activities	$ (1,687,038)	$ (1,763,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds and payments on line of credit	$ (1,038,244)	$ 1,138,246
Proceeds from debt obligations	1,750,000	
Principal payments on debt obligations	(465,525)	(415,169)
Net Cash Provided By Financing Activities	$ 246,231	$ 723,077
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 765,928	$ (1,033,007)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,102,190	3,135,197
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,868,118	$ 2,102,190

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

	2008	2007
CHANGE IN NET ASSETS	$ (906,699)	$ 606,673
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	$ 649,895	$ 569,198
Donation of cash value of life insurance	(3,309)	(2,922)
Loss on disposal of equipment		4,124
Loss from limited partnership investments, net	1,005,715	59,495
Gain on sale of investment	(55,492)	(36,615)
Unrealized (gain) loss on investment	111,828	(91,096)
Cash flows provided by (used for) asset changes		
Accounts receivable	1,112,303	(1,193,840)
Prepaid expense	(85,532)	(15,518)
Accrued interest income	(863)	2,515
Cash flows provided by (used for) liability changes		
Accounts payable	257,248	(75,116)
Provision for medical insurance		70,000
Accrued interest expense	(11,630)	(1,178)
Accrued employee compensation	108,663	95,460
Other accrued expenses	(20,892)	16,344
457(b) plan payable	45,500	
Total Adjustments	$ 3,113,434	$ (599,149)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,206,735	$ 7,524

NON CASH OPERATING AND INVESTING ACTIVITIES

Donation of cash value of life insurance	$ 3,309	$ 2,922

YOUTH OPPORTUNITY CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Youth Opportunity Center	Detention Center	Outpatient Services	Youth Service Bureau
Salaries	$ 7,107,383	$ 916,153	$ 394,130	$ 364,205
Payroll taxes	564,084	72,711	30,379	29,559
Employee benefits	1,408,204	137,581	61,967	37,449
Total Salaries and Related Expenses	$ 9,079,671	$ 1,126,445	$ 486,476	$ 431,213
Advertising	30,894			
Amortization	2,718			
Bank charges	181,329			
Building lease expense	21,216			
Canteen	12,338			1,535
Clothing	31,393	6,800		828
Contract services	94,487	6,947		5,487
Contributions	3,035			
Depreciation	446,637	69,016	27,684	22,569
Dues and subscriptions	15,720	35	12	6,199
Food	343,390	118,784	30,882	13,468
Fund raising expense	5,461			
Housekeeping supplies	145,028	17,348	2,931	1,466
Housewares	12,417	1,290	4	423
Insurance	209,584			
Interest expense	306,277			
Medical	187,589	1,041	188	3,229
Miscellaneous	7,995		100	452
Office supplies	86,278	2,182	3,238	1,479
Personal care supplies	23,533	3,165	11	498
Postage	18,303	871	8	20
Printing	65,119			
Professional fees	228,272	945		
Property taxes	8,822			
Recreation	26,353	236	13	3,461
Rent	66,721			
Repairs and maintenance	258,190	35,374		3,700
School expense	22,608	848	166	258
Small equipment	1,995			
Telephone	55,041	2,049	334	2,024
Travel and training	37,401	3,240		687
Utilities	283,653	53,931	10,236	15,929
Vehicle expense	115,233	17,730	80	6,472
Total Expenses Before Allocation	$ 12,434,701	$ 1,468,277	$ 562,363	$ 521,397
Allocation of administrative overhead	(2,642,398)	788,668	131,195	262,934
Total Expenses	$ 9,792,303	$ 2,256,945	$ 693,558	$ 784,331

See accompanying Notes to Financial Statements.

TASC Unit	Randolph Youth Center	Total
$ 1,399,209	$ 364,320	$ 10,545,400
113,091	28,772	838,596
175,056	55,134	1,875,391
$ 1,687,356	$ 448,226	$ 13,259,387
	1,015	31,909
		2,718
		181,329
		21,216
3,934	271	18,078
2,473	1,353	42,847
35,294		142,215
		3,035
83,989		649,895
50		22,016
99,692	35,560	641,776
		5,461
20,639	3,639	191,051
1,453	1,484	17,071
		209,584
		306,277
1,559	1,321	194,927
546	136	9,229
4,133	1,805	99,115
2,420	1,271	30,898
282	256	19,740
		65,119
40,473	19,281	288,971
		8,822
5,846	2,284	38,193
		66,721
14,610	6,061	317,935
909	615	25,404
293		2,288
3,002	2,843	65,293
939	1,520	43,787
53,154		416,903
2,485	2,005	144,005
$ 2,065,531	$ 530,946	$ 17,583,215
1,186,681	272,920	
$ 3,252,212	$ 803,866	$ 17,583,215

YOUTH OPPORTUNITY CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Youth Opportunity Center	Detention Center	Outpatient Services	Youth Service Bureau
Salaries	$ 6,493,107	$ 875,637	$ 395,718	$ 352,360
Payroll taxes	533,961	71,084	30,634	28,786
Employee benefits	1,063,427	133,247	60,013	33,750
Total Salaries and Related Expenses	$ 8,090,495	$ 1,079,968	$ 486,365	$ 414,896
Advertising	57,716			
Amortization	403			
Bank charges	152,344			
Building lease expense	11,786			
Canteen	17,222			1,004
Clothing	35,373	3,174		243
Contract services	66,956	6,230		5,374
Contributions	8,430			
Depreciation	380,806	66,418	26,640	14,455
Dues and subscriptions	25,443	60	5	124
Food	313,380	115,786	22,995	19,680
Fund raising expense	8,297			
Housekeeping supplies	137,336	14,026	2,831	1,781
Housewares	16,952	790	10	927
Insurance	218,936			
Interest expense	339,342			
Medical	157,569	995	215	289
Miscellaneous	6,330		20	2,053
Office supplies	122,045	2,654	1,940	2,128
Personal care supplies	19,807	2,595	7	349
Postage	15,548	500		454
Printing	36,349			71
Professional fees	276,340	3,360		
Recreation	23,840	205	10	3,171
Rent	63,052			
Repairs and maintenance	303,355	11,356	2,398	8,175
School expense	23,414	599	225	134
Small equipment	721			
Telephone	57,387	3,912	334	2,211
Travel and training	64,402	1,928	208	560
Utilities	260,854	51,741	8,642	11,905
Vehicle expense	126,545	3,199		666
Total Expenses Before Allocation	$ 11,438,775	$ 1,369,496	$ 552,845	$ 490,650
Allocation of administrative overhead	(2,660,730)	834,203	136,325	223,512
Total Expenses	$ 8,778,045	$ 2,203,699	$ 689,170	$ 714,162

See accompanying Notes to Financial Statements.

TASC Unit	Randolph Youth Center	Total
$ 1,326,056	$ 349,821	$ 9,792,699
108,942	28,230	801,637
137,227	49,123	1,476,787
$ 1,572,225	$ 427,174	$ 12,071,123
	1,286	59,002
		403
		152,344
		11,786
4,291	421	22,938
4,853	445	44,088
34,587		113,147
		8,430
80,879		569,198
56	54	25,742
85,363	24,790	581,994
		8,297
18,602	1,760	176,336
10,269	474	29,422
		218,936
		339,342
1,226	1,524	161,818
696	109	9,208
6,815	2,375	137,957
3,718	803	27,279
345	150	16,997
	290	36,710
10,467	18,189	308,356
3,650	1,193	32,069
		63,052
23,604	8,377	357,265
589	243	25,204
754		1,475
1,821	2,949	68,614
1,429	866	69,393
47,533		380,675
	1,818	132,228
$ 1,913,772	$ 495,290	$ 16,260,828
1,183,169	283,521	
$ 3,096,941	$ 778,811	$ 16,260,828

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Youth Opportunity Center, Inc. operates facilities in Delaware and Randolph counties in Indiana, providing residential and non-residential treatment programs. These programs are designed to help troubled children and their families by teaching socially acceptable behavior, instilling emotional stability, guiding the reunification of families and protecting the child, family, and community from negative life events.

Youth Opportunity Center, Inc. is a qualified not-for-profit organization under *Section 501(c)(3)* of the *Internal Revenue Code.* As such, they are not liable for federal and state income taxes and no liability for such taxes appears in these statements. Youth Opportunity Center, Inc. is not considered to be a private foundation within the meaning of *Internal Revenue Code Section 509(a)(3).*

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 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. No permanently restricted net assets were held during 2008 or 2007, and accordingly, these financial statements do not reflect any activity related to this class of net assets.

Basis of Accounting

The accounting records of the Organization are maintained on the accrual basis of accounting.

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 that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

All accounts receivable have been reviewed by management and are considered to be collectible.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are valued at cost for items purchased and at fair-market value at date of gift, for items donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. It is the policy of the Organization to capitalize fixed assets over $750 for individual items or $5,000 for multiple items.

Investments

In 1997, the Organization adopted *Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Investments Held by Not-for-Profit Organizations.* Under *SFAS No. 124,* investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Contributions

In accordance with *Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

During the fiscal years ended June 30, 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.

Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled $31,909 and $59,002 for the years ended June 30, 2008 and 2007, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and administrative functions of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated to the respective programs and the administrative function to which the expenses relate.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

Investments are stated at fair value and are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Domestic government and corporate bonds	$ 790,345	$ 798,911	$ 8,566
Stocks	1,518,917	1,501,374	(17,543)
Balance at June 30, 2008	$ 2,309,262	$ 2,300,285	$ (8,977)
Domestic government and corporate bonds	$ 1,407,748	$ 1,360,215	$ (47,533)
Stocks	742,397	893,769	151,372
Balance at June 30, 2007	$ 2,150,145	$ 2,253,984	$ 103,839

The following schedule summarizes the net return on investments for the years ended June 30, 2008 and 2007:

	2008	2007
Interest and dividend income	$ 90,258	$ 86,352
Trust fees and taxes	(20,208)	(18,107)
Gain on sale of investments	55,492	36,615
Unrealized gain (loss) on investments	(111,828)	91,096
	$ 13,714	$ 195,956

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

2. **INVESTMENTS** (continued)

Investments in limited partnerships include a 98% limited partner interest in two unrelated limited partnerships. The investments are carried at market value. Components of the return on limited partnership interest reflect the proportionate share of the limited partnerships' income and expenses, as follows, for the years ended June 30, 2008 and 2007:

	2008	2007
Ordinary loss	$ (27,775)	$ (32,743)
Interest and dividends	4,165	19,065
Ordinary dividends	25	
Gain on investments	560	12,116
Deductions related to portfolio income	(1,510)	(57,933)
Loss on disposal of limited partnership interest	(981,180)	
	$ (1,005,715)	$ (59,495)

In May 2008, a settlement agreement and mutual release was entered into by the partners of one of the limited partnerships. The Organization assigned all partnership interests in the limited partnership to the remaining shareholder in exchange for a payment of $40,000. This transaction resulted in a loss on the disposal of the limited partnership interest in the amount of $981,180.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

3. Long-Term Liabilities

Long-term liabilities consisted of the following:

	2008	2007
A bond payable is owing to Indiana Development Finance Authority, Indianapolis, Indiana (issuer) through J.P. Morgan Trust Company, N.A., Indianapolis, Indiana (trustee) with principal and interest to cover the bond issue Variable Rate Demand Educational Facilities Revenue Bonds, Series 1998 (Youth Opportunity Center, Inc. project). Principal bond minimum redemptions began January 1, 2000, and continue annually through January 1, 2024. Interest is payable monthly and is variable. The interest rate in effect at June 30, 2008 and 2007, was 2.30 % and 3.83%, respectively. The bond is secured by a letter of credit with J.P. Morgan Chase Bank, N.A., Indianapolis, Indiana.	$ 4,500,000	$ 4,700,000
A bond payable is owing to Indiana Development Finance Authority, Indianapolis, Indiana (issuer) through J.P. Morgan Trust Company, N.A., Indianapolis, Indiana (trustee) with principal and interest to cover the bond issue Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Youth Opportunity Center, Inc. project). Principal bond minimum redemptions began January 1, 2000, and continue annually through January 1, 2024. Interest is payable monthly and is variable. The interest rate in effect at June 30, 2008 and 2007, was 2.30 % and 3.83%, respectively. The bond is secured by a letter of credit with J.P. Morgan Chase Bank, N.A., Indianapolis, Indiana.	3,900,000	4,100,000
A note payable is owing to J.P. Morgan Chase Bank, N.A., Indianapolis, Indiana. The note requires monthly principal payments of $9,722 plus interest at the rate of prime minus 1.25%. The interest rate in effect at June 30, 2008 was 3.75%. The note is secured by cash, investments, and real property. The note matures January 19, 2011.	1,699,996	
Subtotal	$ 10,099,996	$ 8,800,000

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

3. **Long-Term Liabilities** (continued)

	2008	2007
Balance brought forward	$ 10,099,996	$ 8,800,000
A note payable is owing to IKON Office Solutions, Muncie, Indiana. The note requires monthly principal payments of $817 with no interest. The note matures on December 15, 2008.	4,882	14,686
A capital lease is owing to Stromberg, Lake Mary, Florida. The lease requires monthly payments of $560 with an interest rate of 6.37%. The lease is secured by computer equipment and software with a cost of $28,702 and accumulated depreciation of $13,413. The lease matures October 6, 2011.	12,584	18,302
	$ 10,117,462	$ 8,832,988
Less current portion	(527,641)	(415,521)
	$ 9,589,821	$ 8,417,467

The minimum annual principal payments are as follows:

Year Ending June 30,	Amounts
2009	$ 527,641
2010	523,158
2011	1,866,663
2012	400,000
2013	400,000
2014 and thereafter	6,400,000
	$ 10,117,462

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

4. Letters Of Credit

Letters of credit in the amount of $4,500,000 and $3,900,000 have been established with J.P. Morgan for the payment of bond interest and principal. All real property owned by the Organization has been pledged as security. There were no outstanding balances owed on the letters of credit at June 30, 2008 and 2007, respectively.

As part of the agreement with J.P. Morgan there are various covenants the Organization agreed to follow. The significant covenants are as follows:

a) The Organization must maintain a ratio of unrestricted cash and readily marketable securities to total indebtedness of .4 to 1.0.
b) The Organization must maintain a debt service coverage ratio of 1.5 to 1.0 for any consecutive four quarters.
c) The Organization will not expend or acquire fixed assets that exceeds $300,000 in the aggregate in any one fiscal year that are not funded with permissible long-term debt.

At June 30, 2008, the Organization was in compliance with the above covenants.

5. Line Of Credit

A credit line in the amount of $400,000 has been established with Old National Bank of Muncie, Indiana. The line of credit has a variable interest rate based on the prime rate as published in the *Wall Street Journal*. At June 30, 2008, the interest rate was 5.00%. The line of credit expires on December 13, 2008, with the Organization planning to renew at that time. The balance on the line of credit at June 30, 2008, was $400,000.

6. Operating Leases

The Organization has entered into the following operating leases with the Delaware County (Indiana) government:

Premises lease – This operating lease is for Youth Opportunity Center, Inc.'s use of the real estate that contains the grounds for a portion of the current facility and five cottages. It has a term of fifty years commencing June 26, 1996. The lease payment is $1.00 annually for the fifty-year term.

Juvenile Detention Center lease – This operating lease is for Youth Opportunity Center, Inc.'s use of real estate and building. It has a term of twenty years commencing January 1, 2000. The lease payment is $1.00 annually for twenty years.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

6. **OPERATING LEASES** (continued)

The Organization leases equipment under cancelable and noncancelable lease agreements. The future minimum lease payments under the noncancelable operating leases are as follows:

Year Ending June 30,	Amounts
2009	$ 66,871
2010	33,336
2011	26,664
2012	6,447
2013	2
2014 and thereafter	43
	$ 133,363

Rent expense for the years ended June 30, 2008 and 2007 was $66,721 and $63,052, respectively.

The Organization leases approximately 15,085 square feet of office space to the Delaware County Department of Child Services. The agreement requires payments to be received in the amount of $12,944 until March 2010. Rent in the amount of $146,565 and $119,000 was received for the years ended June 30, 2008 and 2007, respectively.

7. **FUND RAISING EXPENSE**

For the year ended June 30, 2008, the Organization incurred costs related to fund-raising in the amount of $169,568.

8. **CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in six financial institutions located in Muncie, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2008, the uninsured cash balances totaled $2,438,585.

Delaware County, Indiana, is a major source of revenue for the Organization. For the years ended June 30, 2008 and 2007, Delaware County, Indiana, accounted for approximately 45% and 51% of the total revenue, respectively.

Accounts receivable due from Delaware County, Indiana, at June 30, 2008 and 2007, accounted for approximately 27% and 45%, respectively, of the total balance in accounts receivable. At year end, Medicaid receivables accounted for approximately 11% and 8% of the total balance in accounts receivable at June 30, 2008 and 2007, respectively.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

9. Retirement Plan

The Organization has a contributory defined contribution plan covering substantially all of its employees. Contributions made by the Organization to the plan, which is administered by an insurance company, are expensed monthly as annuities are purchased. The Organization's contribution for 2008 and 2007 was $211,786 and $156,652, respectively.

In 2007, a 457(b) plan was established for key members of management. Retirement plan contributions of $45,500 were made to the plan which is owned by the Organization.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash that has been restricted by the donor to be used as follows:

	2008	2007
Ruby Hughes Fund - to be used for the benefit of the residents	$ 41,946	$ 42,503
Scholarship Fund - to be used for resident scholarships	218,471	214,391
Limited Partnership Investment - the partnership agreements do not allow for the Youth Opportunity Center, Inc. to sell or cash out their investment except on every fifth year anniversary of the investment interest held, ending December 2048	1,172,614	2,234,329
Youth Opportunity Center Foundation - donations designated by the donor to establish a foundation for the Youth Opportunity Center, Inc.	149,274	
	$ 1,582,305	$ 2,491,223

11. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

12. Subsequent Events

At July 1, 2008, the Organization transferred cash in the amount of $149,274 to the Youth Opportunity Center Foundation. The Organization received these monies as designated by the donors to assist in establishing a foundation endowment for the Youth Opportunity Center, Inc.

SUPPLEMENTAL INFORMATION

YOUTH OPPORTUNITY CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture			
Pass-through Programs From:			
Indiana Department of Education - Division of School & Community Nutrition Programs -			
National School Lunch Program	10.555	C2-8-18-K054	$ 289,041
U. S. Department of Health and Human Services			
Pass-through Programs From:			
Indiana Department of Child Services			
Promoting Safe and Stable Families	93.556	97-07-64-2164	$ 29,016
Chafee Foster Care Independence Program	93.674	97-07-24-2164	125,632
Foster Care Title IV-E	93.658	97-07-CW-2164	88,384
Total Pass-through Programs			$ 243,032
Total Expenditures of Federal Awards			$ 532,073

See accompanying Notes to Schedule of Expenditures of Federal Awards.

YOUTH OPPORTUNITY CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

BASIS OF PRESENTATION

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

WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 Opportunity Center, Inc.
Muncie, Indiana

We have audited the financial statements of Youth Opportunity Center, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated September 17, 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 Opportunity Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Youth Opportunity Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

1100 W. WHITE RIVER BOULEVARD | P.O. BOX 631 | MUNCIE, INDIANA 47308-0631
765.284.3384 PHONE | 765.741.5675 FAX

We noted certain other matters that we reported to management of Youth Opportunity Center, Inc. in a separate letter dated September 17, 2008.

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

Whitinger & Company LLC

Certified Public Accountants

September 17, 2008

WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 Opportunity Center, Inc.
Muncie, Indiana

COMPLIANCE

We have audited the compliance of Youth Opportunity Center, Inc. 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 June 30, 2008. Youth Opportunity Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Youth Opportunity Center, Inc.'s management. Our responsibility is to express an opinion on Youth Opportunity Center, 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 States, Local Governments, and Not-for-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 Opportunity Center, 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 Opportunity Center, Inc.'s compliance with those requirements.

In our opinion, Youth Opportunity Center, 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 June 30, 2008.

1100 W. WHITE RIVER BOULEVARD | P.O. BOX 631 | MUNCIE, INDIANA 47308-0631
765.284.3384 PHONE | 765.741.5675 FAX

Internal Control Over Compliance

The management of Youth Opportunity Center, 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 Opportunity Center, 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 for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Whitinger & Company LLC

Certified Public Accountants

September 17, 2008

YOUTH OPPORTUNITY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued.	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	______ yes	X	no
Reportable condition(s) identified that are not considered to be material weakness(es)?	______ yes	X	none reported
Noncompliance material to financial statements noted?	______ yes	X	no

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	______ yes	X	no
Reportable condition(s) identified that are not considered to be material weakness(es)?	______ yes	X	none reported
Type of auditors' report issued on compliance for major programs.	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with *Section 510(a) of Circular A-133?*	______ yes	X	no

YOUTH OPPORTUNITY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section 1 - Summary of Auditors' Results (continued)

Identification of major programs:

CFDA Number	State Grant Number	Name of Federal Program or Cluster
10.555	C2-6-18-K054	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? X yes ____ no

Section 2 - Financial Statement Findings

No matters were reported.

Section 3 - Federal Awards Findings and Questioned Costs

No matters were reported.

WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Board of Directors
Youth Opportunity Center, Inc.

We have recently completed our audit of the financial statements of Youth Opportunity Center, Inc. Professional standards require that we provide you with the following information related to our audit. In addition, this letter provides the Board of Directors with timely observations arising from the audit to assist you in fulfilling your responsibility to oversee the financial reporting process.

AUDITORS' RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated July 21, 2008, our responsibility as described by professional standards, is to plan and perform our audit for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

SIGNIFICANT ACCOUNTING PRACTICES

SIGNIFICANT ACCOUNTING POLICIES

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 Youth Opportunity Center, 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 the audit period. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

1100 W. WHITE RIVER BOULEVARD | P.O. BOX 631 | MUNCIE, INDIANA 47308-0631
765.284.3384 PHONE | 765.741.5675 FAX

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management, based on its judgments. Management is responsible for making the accounting estimates included in the financial statements. Estimates are based on subjective as well as objective factors and, as a result, judgment is required to estimate an amount at the date of the financial statements. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ from management's current judgments.

a. Depreciation: Management depreciates property and equipment using the straight-line method over the estimated useful life of the asset.
b. Provision for medical insurance: Management estimates the future medical insurance claims related to the liability as of the date of the financial statements. These estimates are based on historical claims and known future claims.

IMMATERIAL UNCORRECTED MISSTATEMENTS

Professional standards require the auditor to accumulate all known and likely misstatements identified during the audit, other than those that the auditor believes are trivial. In addition, the auditor is required to communicate them to those charged with governance and any effect that they may have on the audit opinion. We accumulated no material uncorrected misstatements during the audit.

MATERIAL CORRECTED MISSTATEMENTS

We accumulated a summary of the material corrected misstatements that were brought to the attention of management as a result of audit procedures.

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATION 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 auditors' 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.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

We were pleased to serve Youth Opportunity Center, Inc. as their independent auditors for the years ended June 30, 2008 and 2007, and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This information is intended solely for the use of the Board of Directors and management of Youth Opportunity Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Whitinger & Company LLC

Certified Public Accountants

September 17, 2008