



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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November 18, 2009

Board of Directors
Youth Service Bureau
of St. Joseph County, Inc.
2222 Lincolnway West
South Bend, IN 46628

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, 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 Service Bureau of St. Joseph County, 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.

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

STATE BOARD OF ACCOUNTS

FINANCIAL REPORT

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.

June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

We have audited the accompanying statements of financial position of YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC. (the "Organization") as of June 30, 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 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 SERVICE BUREAU OF ST. JOSEPH COUNTY, INC. as of June 30, 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.

Cullar & Associates, P.C.

January 13, 2009

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

Assets:	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$ 154,024	\$ 201,090
Investments	617,934	651,130
Grants, contributions, and fees receivable	<u>345,766</u>	<u>301,872</u>
<i>Total current assets</i>	<u>1,117,724</u>	<u>1,154,092</u>
Property and Equipment	<u>94,922</u>	<u>110,041</u>
Beneficial Interest in Assets Held by Others	<u>403,331</u>	<u>426,834</u>
<i>Total assets</i>	<u>\$ 1,615,977</u>	<u>\$ 1,690,967</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 6,644	\$ 6,295
Accrued liabilities	<u>39,715</u>	<u>31,613</u>
<i>Total current liabilities</i>	<u>46,359</u>	<u>37,908</u>
Net Assets:		
Unrestricted:		
Funds functioning as permanent endowment	403,331	426,834
Board designated	672,802	709,311
Undesignated	<u>282,923</u>	<u>322,811</u>
<i>Total unrestricted net assets</i>	1,359,056	1,458,956
Temporarily restricted	<u>210,562</u>	<u>194,103</u>
<i>Total net assets</i>	<u>1,569,618</u>	<u>1,653,059</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,615,977</u>	<u>\$ 1,690,967</u>

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

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	2008			2007		
	<u>Unrestricted</u>	Temporarily		<u>Unrestricted</u>	Temporarily	
		<u>Restricted</u>	<u>Total</u>		<u>Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:						
Grants	\$ 407,035	\$ 191,668	\$ 598,703	\$ 332,612	\$ 159,085	\$ 491,697
Contributions	35,636	20,950	56,586	54,802	38,154	92,956
Fees	619,713	-	619,713	541,770	-	541,770
Special events	27,993	-	27,993	48,021	-	48,021
Investment return	(38,559)	-	(38,559)	148,980	-	148,980
Net assets released from restrictions	196,159	(196,159)	-	220,434	(220,434)	-
<i>Total revenues, gains, and other support</i>	<u>1,247,977</u>	<u>16,459</u>	<u>1,264,436</u>	<u>1,346,619</u>	<u>(23,195)</u>	<u>1,323,424</u>
Expenses:						
Safe Station	378,312	-	378,312	346,524	-	346,524
Youth Development	357,728	-	357,728	314,801	-	314,801
Young Moms Self Sufficiency	171,002	-	171,002	150,087	-	150,087
Porch Light	13,987	-	13,987	-	-	-
Youth Links	-	-	-	1,239	-	1,239
Street Outreach	123,314	-	123,314	113,502	-	113,502
Management and general	225,564	-	225,564	213,550	-	213,550
Fund raising	77,970	-	77,970	101,090	-	101,090
<i>Total expenses</i>	<u>1,347,877</u>	<u>-</u>	<u>1,347,877</u>	<u>1,240,793</u>	<u>-</u>	<u>1,240,793</u>
Change in net assets						
Net assets, beginning of year	(99,900)	16,459	(83,441)	105,826	(23,195)	82,631
<i>Net assets, end of year</i>	<u>\$ 1,359,056</u>	<u>\$ 210,562</u>	<u>\$ 1,569,618</u>	<u>\$ 1,458,956</u>	<u>\$ 194,103</u>	<u>\$ 1,653,059</u>

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

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2008

	Safe Station	Youth Development	Young Moms Self Sufficiency	Porch Light	Street Outreach	Management and General	Fund Raising	Total
Salaries and wages	\$ 263,501	\$ 285,002	\$ 107,710	\$ 5,124	\$ 91,920	\$ 137,232	\$ 54,364	\$ 944,853
Benefits	29,104	36,907	15,598	52	13,032	19,290	1,168	115,151
Payroll taxes	19,911	22,015	8,120	197	6,421	16,552	4,536	77,752
Food	14,728	-	-	-	-	-	-	14,728
Program	12,768	495	24,150	531	2,780	-	459	41,183
Local transportation	419	1,346	3,047	59	73	49	55	5,048
Vehicle expenses	1,681	-	-	-	3,689	-	-	5,370
Conferences and meetings	1,795	230	765	1,573	391	2,067	111	6,932
Utilities	6,988	1,906	2,437	32	-	2,479	-	13,842
Other occupancy	6,250	3,113	2,520	5,187	-	2,454	-	19,524
Insurance	3,678	1,260	849	-	1,770	7,011	-	14,568
Telephone	3,137	1,542	1,343	20	1,108	962	-	8,112
Office supplies	2,047	1,265	1,611	1,212	380	2,182	819	9,516
Postage and shipping	272	-	163	-	159	1,453	581	2,628
Professional fees	-	-	-	-	-	17,530	-	17,530
Payroll processing	-	-	-	-	-	5,831	-	5,831
Equipment maintenance	1,981	164	350	-	-	339	24	2,858
Printing	490	508	164	-	1,141	189	3,533	6,025
Dues and subscriptions	2,305	-	-	-	-	5,939	60	8,304
Advertising	-	-	-	-	-	1,045	292	1,337
Depreciation	7,257	1,975	2,175	-	450	3,262	-	15,119
Special events	-	-	-	-	-	-	11,968	11,968
Other	-	-	-	-	-	(302)	-	(302)
Totals	\$ 378,312	\$ 357,728	\$ 171,002	\$ 13,987	\$ 123,314	\$ 225,564	\$ 77,970	\$ 1,347,877

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

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2007

	Safe Station	Youth Development	Young Moms Self Sufficiency	Youth Links	Street Outreach	Management and General	Fund Raising	Total
Salaries and wages	\$ 237,452	\$ 253,515	\$ 92,702	\$ 858	\$ 85,072	\$ 121,056	\$ 65,398	\$ 856,053
Benefits	28,767	26,740	11,326	24	12,890	19,754	1,661	101,162
Payroll taxes	19,005	20,139	7,321	357	6,085	17,653	4,894	75,454
Food	15,099	-	-	-	-	-	-	15,099
Program	9,258	1,145	20,706	-	2,770	-	621	34,500
Local transportation	258	605	3,383	-	-	72	68	4,386
Vehicle expenses	1,707	-	-	-	2,063	-	-	3,770
Conferences and meetings	846	1,866	792	-	968	990	243	5,705
Utilities	6,153	1,796	2,129	-	-	2,079	-	12,157
Other occupancy	6,082	2,536	4,196	-	-	4,230	-	17,044
Insurance	4,217	1,064	1,113	-	1,770	7,542	-	15,706
Telephone	3,563	2,129	1,584	-	1,041	1,328	-	9,645
Office supplies	2,136	628	836	-	279	1,572	581	6,032
Postage and shipping	126	2	156	-	122	1,358	716	2,480
Professional fees	-	-	-	-	-	18,055	-	18,055
Payroll processing	-	-	-	-	-	5,471	-	5,471
Equipment maintenance	3,298	515	839	-	-	886	-	5,538
Printing	43	41	142	-	-	283	5,641	6,150
Dues and subscriptions	980	-	-	-	-	5,621	-	6,601
Advertising	-	-	-	-	-	622	9,423	10,045
Depreciation	7,439	2,080	2,859	-	450	4,289	-	17,117
Special events	-	-	-	-	-	-	11,844	11,844
Other	95	-	3	-	(8)	689	-	779
Totals	\$ 346,524	\$ 314,801	\$ 150,087	\$ 1,239	\$ 113,502	\$ 213,550	\$ 101,090	\$ 1,240,793

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

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

Change in Cash and Cash Equivalents:	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Cash received from contributors and other funding sources	\$ 1,259,101	\$ 1,169,802
Cash paid to employees and suppliers	(1,332,801)	(1,232,553)
Investment income received	<u>32,054</u>	<u>22,704</u>
<i>Net cash (used in) operating activities</i>	<u>(41,646)</u>	<u>(40,047)</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	101,348	53,786
Purchase of investments	(106,768)	(316,405)
Purchase of property and equipment	<u>-</u>	<u>(11,945)</u>
<i>Net cash (used in) investing activities</i>	<u>(5,420)</u>	<u>(274,564)</u>
Net change in cash and cash equivalents	(47,066)	(314,611)
Cash and cash equivalents, beginning of year	<u>201,090</u>	<u>515,701</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 154,024</u>	<u>\$ 201,090</u>
 Reconciliation of Change in Net Assets to Net Cash		
(Used in) Operating Activities:		
Change in net assets	\$ (83,441)	\$ 82,631
Add (deduct) items not requiring (providing) cash:		
Depreciation	15,119	17,117
Realized investment (gains)	(28,367)	(30,482)
Unrealized investment (gains) losses	83,609	(43,733)
Re-invested investment income	(16,626)	(17,846)
(Increase) in grants, contributions, and fees receivable	(43,894)	(4,642)
(Increase) decrease in beneficial interest in assets held by others	23,503	(41,606)
Increase (decrease) in accounts payable	349	(1,445)
Increase (decrease) in accrued liabilities	<u>8,102</u>	<u>(41)</u>
<i>Net cash (used in) operating activities</i>	<u>\$ (41,646)</u>	<u>\$ (40,047)</u>

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

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC. (the "Organization") is an Indiana nonprofit corporation that provides services to youth and their families during critical times in their lives. The Organization's operations are supported primarily by grants from and contracts with government agencies and local school districts.

Significant Accounting Policies:

Use of estimates:

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

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's best estimates.

Net asset classes:

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

Unrestricted net assets are those currently available for use.

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

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments and beneficial interests in assets held by others:

Investments and beneficial interests in assets held by others are stated at fair value and realized and unrealized gains and losses are included in investment return in the statements of activities. The first-in, first-out method is used in determining the cost basis for realized gains and losses. Fair value is estimated using quoted market prices.

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

The Organization recognizes its beneficial rights in assets held by others unless the donor has granted the recipient organization variance power. However, if the Organization is both the donor and the beneficiary of the assets, those rights are recognized even if the recipient organization has been granted variance power.

Property and equipment:

Property and equipment is stated at cost, if purchased, or at fair market value at the date of receipt, if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, generally from 10 to 25 years for buildings and improvements and 3 to 5 years for vehicles and equipment.

Gifts and grants:

The Organization reports gifts and grants 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 statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Contributed services:

Contributed services are recognized as revenue at fair value if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Although volunteers contributed approximately 560 and 1,483 hours during the years ended June 30, 2008 and 2007, respectively, no revenue has been recognized in the accompanying financial statements for these services because the criteria for recognition were not met.

Advertising:

Advertising costs are expensed when incurred, except for costs associated with direct-response advertising, which are capitalized and amortized over the expected period of benefits. Advertising expense was \$1,337 and \$10,045 for the years ended June 30, 2008 and 2007, respectively. There were no direct-response advertising costs reported as assets at either June 30, 2008 or 2007.

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Income taxes:

The Organization is generally exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. Consequently, no provision is generally made for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

NOTE 2. PRIOR PERIOD ADJUSTMENT

The accompanying 2007 financial statements have been restated to correct an error made prior to 2007 in reporting the beneficial interest in assets held by Community Foundation of St. Joseph County, Inc. discussed in Note 6 as a permanently restricted net asset instead of as an unrestricted net asset. The effects of the restatement were to increase unrestricted net assets and decrease permanently restricted net assets at the beginning of 2007 by \$385,228, with no effect on total net assets, and to increase the change in unrestricted net assets and decrease the change in permanently restricted net assets by \$41,606 for the year ended June 30, 2007, with no effect on the change in total net assets.

NOTE 3. INVESTMENTS

Investments are as follows at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Mutual income funds	\$ 219,049	\$ 181,561
Mutual equity funds	398,885	469,569
<i>Total investments</i>	<u>\$ 617,934</u>	<u>\$ 651,130</u>

Investment return was as follows for the years ended June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Interest on cash and cash equivalents	\$ 2,079	\$ 1,386
Interest and dividends on investments	26,237	19,956
Realized investment gains	28,367	30,482
Unrealized investment gains (loss)	(83,609)	43,733
Increase (decrease) in beneficial interest in assets held by others	(3,139)	60,814
Investment expenses	<u>(8,494)</u>	<u>(7,391)</u>
<i>Net investment return</i>	<u>\$ (38,559)</u>	<u>\$ 148,980</u>

NOTE 4. GRANTS, CONTRIBUTIONS, AND FEES RECEIVABLE

Grants, contributions, and fees receivable consists of amounts unconditionally promised to the Organization or earned on contracts for various programs. All amounts are expected to be collected within the next year. No allowance for uncollectibles is considered necessary.

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

At June 30, 2008, the Organization had received approximately \$203,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

NOTE 5. PROPERTY AND EQUIPMENT

The cost of property and equipment, and the related accumulated depreciation, are as follows at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Land	\$ 19,270	\$ 19,270
Buildings and improvements	181,439	181,439
Vehicles	22,165	22,165
Office furniture and equipment	<u>65,547</u>	<u>74,232</u>
	288,421	297,106
Less accumulated depreciation	<u>(193,499)</u>	<u>(187,065)</u>
<i>Net property and equipment</i>	<u>\$ 94,922</u>	<u>\$ 110,041</u>

NOTE 6. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of an endowment fund held by Community Foundation of St. Joseph County, Inc. ("Community Foundation") for which the Organization was the donor and which is reported as an asset on the accompanying statements of financial position, with a value of \$403,331 and \$426,834 at June 30, 2008 and 2007, respectively. Total accumulated contributions by the Organization to the fund were \$258,132, all of which were contributed in prior years. The Organization has granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations upon the Organization's demise. The change in the value of the fund for the years ended June 30, 2008 and 2007 was \$(3,139) and \$60,814, respectively, which is included in investment return. Distributions of \$20,364 and \$19,208 were received from the fund during the years ended June 30, 2008 and 2007, respectively.

The Organization is also the beneficiary of another fund held by Community Foundation, which is not recorded as an asset since it was established by other donors and because Community Foundation has been granted variance power. The Organization periodically receives distributions in the form of grants from this fund. The total value of this fund at June 30, 2008 and 2007 was \$24,701 and \$25,090, respectively. Distributions of \$1,197 and \$1,129 were received from this fund during the years ended June 30, 2008 and 2007, respectively, which are included in contributions revenue.

NOTE 7. DESIGNATED AND RESTRICTED NET ASSETS

Board designated net assets are comprised of three investment accounts designated for capital replacement and endowment purposes.

YOUTH SERVICE BUREAU OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Temporarily restricted net assets are available for the following periods or purposes at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
<i>For future periods:</i>		
Safe Station	\$ 77,859	\$ 64,501
Youth Development Services	41,449	24,584
Young Moms Self Sufficiency	53,492	40,000
Street Outreach	33,868	30,000
<i>For program activities:</i>		
Young Moms scholarships	2,270	10,985
Young Moms Self Sufficiency	-	22,594
Safe Station • Schram fund	<u>1,624</u>	<u>1,439</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 210,562</u>	<u>\$ 194,103</u>

Net assets were released from donor restrictions by the expiration of time or by incurring expenses satisfying restricted purposes as follows for the years ended June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Expiration of time restrictions	\$ 159,085	\$ 193,357
Purpose restrictions accomplished	<u>37,074</u>	<u>27,077</u>
<i>Net assets released from restrictions</i>	<u>\$ 196,159</u>	<u>\$ 220,434</u>

NOTE 8. PENSION PLAN

The Organization maintains a defined-contribution pension plan covering substantially all of its full-time employees that is funded through a Simplified Employee Pension arrangement. Pension expense was \$13,642 and \$12,813 for the years ended June 30, 2008 and 2007, respectively.

NOTE 9. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants, contributions, and fees receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. At June 30, 2008, approximately 55% of total grants, contributions, and fees receivable were due from United Way of St. Joseph County, which represents a concentration of credit risk.

The Organization's contributors and activities are concentrated in North Central Indiana. Consequently, its contributions and other sources of support and revenue may be affected by conditions in that area. For the years ended June 30, 2008 and 2007, one funding source provided approximately 28% and 23% of total revenues, respectively, while two other funding sources provided approximately 29% and 22% of total revenues, respectively.



INDEPENDENT AUDITOR’S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors and Finance Committee
Youth Service Bureau of St. Joseph County, Inc.
South Bend, Indiana

We have audited the financial statements of Youth Service Bureau of St. Joseph County, Inc. (the “Organization”) for the year ended June 30, 2008, and have issued our report thereon dated January 13, 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 July 29, 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.

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

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

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

Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008 except as follows:

- As discussed in Note 2 to the financial statements, the reporting of the funds held by Community Foundation of St. Joseph County was changed to correct an error made in prior years. These funds had previously been reported as permanently restricted net assets. However, based on discussions with the American Institute of Certified Public Accountants and on other research, we determined that these funds should be reported as unrestricted

because the source of the funds was the Organization, not outside donors. Consequently, the 2007 financial statements have restated to correct this error.

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 most sensitive estimate affecting the financial statements was management's estimate of the allocation of expenses between programs and supporting services based on time studies and specific identification of particular expenses. We evaluated the key factors and assumptions used to develop the allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

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

- Decrease the value of the Community Foundation fund by approximately \$24,000
- Record the disposal of equipment of approximately \$8,700 (both gross cost and accumulated depreciation)
- Record depreciation expense of approximately \$15,000
- Increase temporarily restricted grants receivable for next year's United Way allocation by approximately \$33,000
- Decrease temporarily restricted grants receivable from St. Joseph County Commissioners by approximately \$14,000
- Reverse the prior year Grand Prix receivable by approximately \$3,600

The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

- Understatement of accrued vacation of approximately \$1,600
- Understatement of accrued Grand Prix receivables of approximately \$3,800
- Understatement of accounts payable of approximately \$870

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 13, 2009.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "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.

7. *Other Audit Findings or Issues*

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

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

Cullen & Associates, P.C.

January 13, 2009



AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and the Finance Committee
Youth Service Bureau of St. Joseph County, Inc.
South Bend, Indiana

In planning and performing our audit of the financial statements of Youth Service Bureau of St. Joseph County, Inc. (the "Organization") as of and for the year ended June 30, 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.

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

Our consideration of internal control was for the limited purpose described in the 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 did identify 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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiency constitutes a material weakness:

Applying Complex Accounting Standards with Limited Resources

As part of our audit, we proposed adjustments relating to complex accounting standards and drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to

completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of our audit function, new professional standards require that we now communicate this to you because, as auditor, we are not considered to be part of the Organization's internal control.

This report is intended solely for the information and use of the Board of Directors, the Finance Committee, and the Organization's management and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

January 13, 2009