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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, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Whittington Homes and Services for Children and Families, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the 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, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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
June 27, 2008

WHITINGTON HOMES AND SERVICES FOR

CHILDREN AND FAMILIES, INC.

COMPARATIVE STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<u>Current Assets:</u>		
Cash in bank - Notes 1 and 2	\$ 325,461	\$ 565,637
Fees receivable - Note 1	<u>349,467</u>	<u>190,911</u>
Total current assets	<u>674,928</u>	<u>756,548</u>
<u>Fixed Assets - Note 1:</u>		
Building and improvements	1,319,228	1,295,078
Equipment	365,652	365,652
Building improvements in progress	<u>66,655</u>	<u>-</u>
	1,751,535	1,660,730
Less: Accumulated depreciation	<u>671,127</u>	<u>611,740</u>
	1,080,408	1,048,990
Land	<u>17,326</u>	<u>17,326</u>
Total fixed assets	<u>1,097,734</u>	<u>1,066,316</u>
Total assets	\$1,772,662 =====	\$1,822,864 =====

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 51,679	\$ 8,970
Accrued wages	21,696	19,758
Accrued medical reimbursement	30,679	27,915
Accrued vacation and sick leave	<u>38,619</u>	<u>40,748</u>
Total current liabilities	<u>142,673</u>	<u>97,391</u>
<u>Net Assets:</u>		
Unrestricted	1,537,502	1,623,941
Temporarily restricted - Note 3	<u>92,487</u>	<u>101,532</u>
Total net assets	<u>1,629,989</u>	<u>1,725,473</u>
Total liabilities and net assets	\$1,772,662 =====	\$1,822,864 =====

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> -			
Programs -			
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 ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support, revenue and gains</u> -			
Services - Per diem	\$ 1,034,705	\$ -	\$1,034,705
Services - Park Center	132,629	-	132,629
Reimbursements - Medical and clothing	3,297	-	3,297
Grants	16,349	64,775	81,124
Contributions - Note 1	10,605	25,299	35,904
Interest income	21,479	-	21,479
 <u>Net assets released from restrictions</u> -			
Satisfaction of program requirements	<u>43,061</u>	<u>(43,061)</u>	<u>-</u>
 Total support, revenue and gains	 <u>1,262,125</u>	 <u>47,013</u>	 <u>1,309,138</u>
 <u>Expenses</u> -			
Programs -			
Independent Living Skills	509,255	-	509,255
Therapeutic Foster Care	317,335	-	317,335
Scattered Sites	28,141	-	28,141
Home-Based Therapy	11,503	-	11,503
Youth Intensive Care	<u>49,619</u>	<u>-</u>	<u>49,619</u>
Total program services	<u>915,853</u>	<u>-</u>	<u>915,853</u>
 Supporting services -			
General and Administrative	325,319	-	325,319
Fundraising	<u>52,862</u>	<u>-</u>	<u>52,862</u>
Total supporting services	<u>378,181</u>	<u>-</u>	<u>378,181</u>
Total expenses	<u>1,294,034</u>	<u>-</u>	<u>1,294,034</u>
 <u>Change in net assets</u> - Note 4	 (31,909)	 47,013	 15,104
 <u>Net Assets:</u>			
Beginning of year	<u>1,655,850</u>	<u>54,519</u>	<u>1,710,369</u>
End of year - Note 4	\$ 1,623,941 =====	\$ 101,532 =====	\$1,725,473 =====

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.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Independent Living Skills</u>	<u>Therapeutic Foster Care</u>
Salaries	\$ 306,073	\$ 102,281
Payroll taxes	24,156	7,288
Employee benefits - Note 5	24,737	9,446
Retirement benefits - Note 6	<u>532</u>	<u>162</u>
Total salaries and related expenses	355,498	119,177
Foster per diem	-	145,341
Resident -		
Other	19,581	173
Food	18,476	-
Medical	7,994	-
Clothing	6,836	-
Household	5,193	-
Personal care	5,324	-
Education	1,703	40
Child care	(45)	-
Professional fees	17,245	3,518
Insurance	-	-
Utilities	9,718	3,067
Telephone	8,844	2,734
Miscellaneous	3,070	7,664
Mileage	2,305	7,869
Office expense	4,546	1,851
Repairs and maintenance	5,519	1,411
Auto expense	9,190	25
Public relations	3,870	1,163
Staff professional development	1,593	1,378
Dues and subscriptions	-	-
Unbudgeted	-	-
Printing and postage	649	757
Operating leases - Note 7	979	-
Meetings	<u>-</u>	<u>-</u>
Total expenses before depreciation	488,088	296,168
Depreciation - Note 1	<u>21,167</u>	<u>21,167</u>
Total expenses	\$ 509,255 =====	\$ 317,335 =====

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>
\$ 19,985	\$ 8,057	\$ 35,779	\$ 196,656	\$38,032	\$ 706,863
1,554	525	2,706	22,544	2,832	61,605
1,230	983	3,447	12,020	3,119	54,982
<u>5</u>	<u>-</u>	<u>-</u>	<u>1,323</u>	<u>-</u>	<u>2,022</u>
22,774	9,565	41,932	232,543	43,983	825,472
-	-	-	-	-	145,341
-	-	125	-	-	19,879
-	-	630	-	-	19,106
-	-	28	-	-	8,022
-	-	264	-	-	7,100
-	-	525	-	-	5,718
-	-	243	-	-	5,567
-	-	85	-	-	1,828
-	-	-	-	-	(45)
810	167	1,312	12,932	2,103	38,087
-	-	-	29,845	-	29,845
-	-	742	3,590	810	17,927
660	181	658	3,516	712	17,305
12	201	292	1,737	1,886	14,862
1,340	-	381	405	51	12,351
756	504	1,514	2,269	403	11,843
-	-	523	1,625	364	9,442
25	-	-	95	19	9,354
1,133	414	332	1,471	-	8,383
255	463	11	466	1,969	6,135
-	-	-	5,433	562	5,995
-	-	-	3,705	-	3,705
376	8	22	1,749	-	3,561
-	-	-	2,463	-	3,442
<u>-</u>	<u>-</u>	<u>-</u>	<u>309</u>	<u>-</u>	<u>309</u>
28,141	11,503	49,619	304,153	52,862	1,230,534
<u>-</u>	<u>-</u>	<u>-</u>	<u>21,166</u>	<u>-</u>	<u>63,500</u>
\$ 28,141	\$ 11,503	\$ 49,619	\$ 325,319	\$52,862	\$1,294,034
=====	=====	=====	=====	=====	=====

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$(95,484)	\$ 15,104
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	59,388	63,500
(Increase) Decrease in -		
Fees receivable	(158,556)	(107,925)
Prepaid expenses	-	20,124
Increase (Decrease) in -		
Accounts payable	42,709	(6,773)
Accrued wages	1,938	5,092
Accrued medical reimbursement	2,764	13,403
Accrued vacation and sick leave	<u>(2,129)</u>	<u>(5,220)</u>
 Net cash (used in) operating activities	 <u>(149,370)</u>	 <u>(2,695)</u>
 <u>Cash flows from investing activities:</u>		
Purchase of fixed assets	<u>(90,806)</u>	<u>(28,084)</u>
 Net cash (used in) investing activities	 <u>(90,806)</u>	 <u>(28,084)</u>
 <u>Net (decrease) in cash and cash equivalents</u>	 (240,176)	 (30,779)
 <u>Cash and cash equivalents, beginning of year</u>	 <u>565,637</u>	 <u>596,416</u>
 <u>Cash and cash equivalents, end of year</u>	 \$ 325,461 =====	 \$ 565,637 =====

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, 2007 AND 2006

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, 2007 AND 2006

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, 2007 AND 2006

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. The Organization uses the direct write-off method to provide for doubtful accounts. No amounts were written off during 2007 or 2006.

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, 2007 AND 2006

Note 1: Accounting policies (Continued) -

Depreciation - Depreciation charged against income for the years ended December 31, 2007 and 2006, was \$59,388 and \$63,500, 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, 2007 and 2006, 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.

The Organization maintains cash accounts at local banks. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. At December 31, 2007 and 2006, deposits in excess of the insured amount totaled \$127,368 and \$310,773, respectively.

WHITINGTON HOMES AND SERVICES FOR

CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

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

	<u>2007</u>	<u>2006</u>
Therapeutic resources	\$ 8,586	\$ 8,602
Market web and billboard	408	648
Network upgrades	11,111	17,882
Computer resource position	898	898
New program furniture	356	356
Life skills programming	-	738
Substance abuse education	690	2,140
Clinical staffing	4,680	11,790
Roof repair project	42,648	58,478
Computers	15,000	-
Books	60	-
Education	130	-
Client mentoring program	900	-
Household items	500	-
TLS program	1,000	-
Counseling	<u>5,520</u>	<u>-</u>
Total	\$92,487	\$101,532
	=====	=====

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

	<u>2007</u>	<u>2006</u>
State of Indiana -		
Department of Family and Children -		
Allen County	\$ 647,069	\$ 423,745
Elkhart County	10,837	-
DeKalb County	17,288	-
Kosciusko County	-	20,050
Lake County	298,192	314,639
Madison County	-	13,511
Marion County	4,071	26,274
Montgomery County	-	21,688
Porter County	-	28,470
St. Joseph County	39,216	91,731
Steuben County	17,664	40,084
Wabash County	9,289	40,420
Department of Corrections	-	17,390
Indiana Family and Social Services Administration	<u>70,627</u>	<u>-</u>
Total	\$1,114,253	\$1,038,002
	=====	=====

WHITINGTON HOMES AND SERVICES FOR
CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

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 \$2,174 in 2007 and \$2,022 in 2006.

Note 7: Operating lease commitments - The Organization leases equipment under an operating lease agreement, which expires September 30, 2008. Total rental expense under this lease was \$4,331 in 2007 and \$2,463 in 2006.

Minimum future lease payments under the noncancellable lease having initial or remaining terms in excess of one year as of December 31, 2007 are \$1,847 for the year ended December 31, 2008.

Note 8: Third party reimbursements - The Organization has agreements with various counties to provide therapeutic and group counseling to its residents. Often the residents require additional counseling, which is not covered in the agreement with the counties. If the residents are covered under Medicaid, the Organization will bill Medicaid and, in most cases, will be reimbursed for the additional counseling services.

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

WHITINGTON HOMES AND SERVICES FOR

CHILDREN AND FAMILIES, INC.

NOTES TO COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

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 \$6,661 for 2007 and \$888 for 2006.

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.

June 27, 2008

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

We have completed our audit of the statement of financial position of Whittington Homes and Services for Children and Families, Inc. (the Organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. Our opinion on the financial statements, which was unqualified, is included in the bound copies of the financial statements. The purpose of this report is to provide you with required communications regarding the conduct of our audit as well as our recommendations and other information noted during the performance of our audit engagement.

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization.

COMMUNICATION WITH THE BOARD OF DIRECTORS

U.S. Generally Accepted Auditing Standards (GAAS) require that certain matters relating to the conduct of our audit be communicated to you and to those who have responsibility of the financial reporting process. The matters to be communicated to you are as follows:

Auditors' Responsibility Under GAAS -

Management is responsible for the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management is also responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

We conducted our audit in accordance with GAAS, which requires that we plan and perform the audit to obtain reasonable, rather than absolute, 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.

Significant Accounting Policies, Management's Judgements And Accounting Estimates -

The significant accounting policies adopted by management and the use of significant estimates in the preparation of the financial statements are disclosed in the notes to the financial statements. As part of our audit, we reviewed and concur with the Organization's selection of accounting policies and its use of accounting estimates.

Significant Audit Adjustments -

Adjusting entries recorded during the course of our audit are attached hereto on a separate listing. Any differences noted below \$1,000 were considered immaterial, individually and in the aggregate, to the financial statements taken as a whole, and have not been recorded unless otherwise requested.

Disagreements With Management -

Management and other personnel were well prepared, cooperative and provided our representatives with all information requested during our audit. Our representatives were provided access to all employees and information requested was provided on a timely basis. There were no differences or disagreements with management or difficulties encountered in the performance of our audit.

Fraud Prevention -

During the current year audit, we performed additional procedures relating to the detection of fraud as required by Statement on Auditing Standards No. 99 (Consideration of Fraud in a Financial Statement Audit).

Internal Controls -

In planning and performing our audit of the financial statements of the Organization for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures solely for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our findings on significant deficiencies or other deficiencies we consider to be material weaknesses are presented in a separate report.

Board of Directors
Whittington Homes and Services for
Children and Families, Inc.
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June 27, 2008

RECOMMENDATIONS AND OTHER INFORMATION

We have no recommendations or other information to report.

We would like to express our appreciation to you and your personnel for providing us the opportunity to serve a well-managed and successful organization like Whittington Homes and Services for Children and Families, Inc. We want to assure you that you have access to our personnel at any time to discuss any matters relating to the conduct of our audit or any other matters. Please feel free to contact the undersigned at any time.

Yours very truly,

DAVID CULP & CO. LLP

Daniel L. Boyle, CPA

DLB/kp

June 27, 2008

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

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, 2007, 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 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. We consider the following deficiency to be a significant deficiency in internal control.

1. An inadequate segregation of duties exists with respect to cash transactions that results in inadequate control over cash receipts. The Controller prepares the deposit, records the deposit and reconciles the bank account. We recommend that a second person be involved with the preparation of the deposit.

Board of Directors
Whittington Homes and Services for
Children and Families, Inc.

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June 27, 2008

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 entity's internal control. We believe that the following deficiency constitutes a material weakness:

1. The Organization's personnel do not have the expertise to draft the financial statements and footnotes at year-end in accordance with auditing standards generally accepted in the United States of America. We recommend that the Organization review the cost/benefit of hiring an individual to prepare the financial statements and footnotes.

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