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July 31, 2019

Board of Directors
Youth Outlook, Inc.
4722 Bluffwood Dr. North
Indianapolis, IN 46228

We have reviewed the audit report of Youth Outlook, Inc. which was opined upon by Long & Associates, P.C., Independent Public Accountants, for the period January 1, 2014 to December 31, 2015. Per the *Independent Audit's Report* the financial statements included in the report present fairly the financial condition of Youth Outlook, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Long & Associates, P.C. prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

YOUTH OUTLOOK, INC.

Audited Financial Statements

**For the Years Ended
December 31, 2015 and 2014**

YOUTH OUTLOOK, INC.

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INDEPENDENT AUDIT'S REPORT

Hugh Hunter, Director
Youth Outlook, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Youth Outlook, Inc. (S-Corporation), as of December 31, 2015 and 2014, and the related statements of income, retained earnings, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Outlook, Inc. as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Administrative and General Expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Long and Associates, P.C.

A handwritten signature in cursive script that reads "Thomas R. Long".

November 30, 2017

YOUTH OUTLOOK, INC.
Balance Sheets
As of December 31, 2015 and 2014

| | 2015 | 2014 |
|---|-------------|-------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 14,088 | \$ 17,710 |
| Payroll Advance | - | - |
| Total Current Assets | 14,088 | 17,710 |
| Property and Equipment | | |
| Furniture & Equipment | 9,501 | 9,501 |
| Building Improvements | 9,233 | 9,233 |
| Organization Cost | 25,872 | 25,872 |
| Accumulated Depreciation | (25,872) | (22,422) |
| Accumulated Amortization | (8,751) | (7,084) |
| Total Property and Equipment | 9,983 | 15,100 |
| Total Assets | \$ 24,071 | \$ 32,810 |
| Liabilities and Shareholder's Equity | | |
| Current Liabilities | | |
| Capital One Credit Card | \$ 6,936 | \$ - |
| Long Term Liabilities | | |
| Merchants CAP Loan | 44,452 | 32,066 |
| Shareholder Loan | 31,632 | 46,029 |
| Total Liabilities | 76,084 | 78,095 |
| Shareholders' Equity | | |
| Common Stock - 100 shares no par value issued and outstanding | 100 | 100 |
| Retained Earnings | (59,049) | (45,385) |
| Total Shareholder's Equity | (58,949) | (45,285) |
| Total Liabilities and Shareholder's Equity | \$ 24,071 | \$ 32,810 |

YOUTH OUTLOOK, INC.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>%</u> | <u>2014</u> | <u>%</u> |
|--|--------------------|---------------|--------------------|---------------|
| Indiana DCS Program Revenue | \$ 275,446 | 67.15 | \$ 256,903 | 60.91 |
| Choices, Inc. Program Revenue | 134,776 | 32.85 | 140,823 | 33.39 |
| Medicaid Revenue | - | - | 3,829 | 0.91 |
| Resolute Group Revenue | - | - | 1,243 | 0.29 |
| Centerpoint Revenue | - | - | 11,675 | 2.77 |
| Acquisition Group Revenue | - | - | 7,015 | 1.66 |
| Donations | - | - | 258 | 0.06 |
| Total Revenue | <u>410,222</u> | <u>100.00</u> | <u>421,746</u> | <u>100.00</u> |
| | | | | |
| Selling, Administrative, and General Expenses | <u>407,887</u> | <u>99.43</u> | <u>408,521</u> | <u>96.86</u> |
| | | | | |
| Income from Operations | 2,335 | 0.57 | 13,225 | 3.14 |
| Interest Expense | (15,999) | (3.90) | (17,460) | (4.14) |
| Other Income (Expense) | - | - | (33) | (0.01) |
| Total Other Income/Expense | <u>(15,999)</u> | <u>(3.90)</u> | <u>(17,493)</u> | <u>(4.15)</u> |
| | | | | |
| Net Income (Loss) | <u>(13,664)</u> | <u>(3.33)</u> | <u>(4,268)</u> | <u>(1.01)</u> |
| | | | | |
| Retained Earnings Beginning of Year | (45,385) | | (41,117) | |
| Prior Period Adjustment | | | - | |
| | | | | |
| Shareholder Contribution (Distribution) | <u>-</u> | | <u>-</u> | |
| | | | | |
| Retained Earnings End of Year | <u>\$ (59,049)</u> | | <u>\$ (45,385)</u> | |

YOUTH OUTLOOK, INC.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|---|------------------|------------------|
| Cash Flows from Operating Activities | | |
| Net income (loss) | \$ (13,664) | \$ (4,268) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 5,117 | 7,151 |
| (Increase) decrease in certain assets: | | |
| Payroll Advance | - | - |
| Increase (decrease) in certain liabilities: | | |
| Capital One Credit Card | 6,936 | - |
| | <u>(1,611)</u> | <u>2,883</u> |
| Net cash provided by operating activities | | |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | - | (990) |
| | <u>-</u> | <u>(990)</u> |
| Net cash used in investing activities | | |
| Cash Flows from Financing Activities | | |
| Borrowing (Repayment) of loan from shareholder | (14,397) | 4,633 |
| Borrowings on lines of credit | 12,386 | 15,834 |
| | <u>(2,011)</u> | <u>20,467</u> |
| Net cash used in financing activities | | |
| Net Decrease in Cash and Cash Equivalents | (3,622) | 22,360 |
| Cash and cash equivalents, beginning of year | 17,710 | (4,650) |
| | <u>17,710</u> | <u>(4,650)</u> |
| Cash and Cash Equivalents, End of Year | \$ 14,088 | \$ 17,710 |
| | <u>\$ 14,088</u> | <u>\$ 17,710</u> |
| Supplemental Disclosure of Cash Flows | | |
| Interest paid | \$ 15,999 | \$ 17,460 |
| | <u>\$ 15,999</u> | <u>\$ 17,460</u> |

Youth Outlook, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies

Business Activity

Youth Outlook, Inc. (Company) was organized under the laws of the State of Indiana on December 17, 2007. The Company maintains a boy's group home for residential placement of children with oversight from the Indiana Department of Child Services. The majority of revenue comes from the State of Indiana based on predetermined contract per diem rates. Additional revenue is received from various Indiana programs and local city programs.

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, the Company considers all unrestricted cash to be cash and cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for that period. The cost of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense related to equipment and property totaled \$5,117 and \$7,151 for the years ended December 31, 2015 and 2014, respectively.

Estimates

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

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credit flow through the Company to its stockholders.

Concentration of Risk for Cash Deposits at Banks

The Company maintains its cash balances in a financial institution located in Indiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 and 2014, the Company's has approximately \$0 and \$0 in excess of FDIC insured limits, respectively.

Note 2 – Lease Commitments

The Company entered into a lease agreement with a related party (Note 5) for the group home in January 2014 ending in January 2017 with monthly rental payments of \$1,755. Total rent expense for the years ended December 31, 2015 and 2014 was \$19,328 and \$22,812, respectively.

Future annual minimum payments under these lease agreements as of December 31 are:

| | |
|------|-----------|
| 2016 | \$ 21,058 |
| 2017 | 21,058 |
| 2018 | 0 |
| 2019 | 0 |
| 2020 | 0 |
| | <hr/> |
| | \$ 42,116 |

Youth Outlook, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

Note 3 – Service Contract

The Company receives the majority of its income from the Indiana Department of Child Services (DCS) through a contracted per diem rate calculated by the DCS. The contracts are generally one year terms and require an annual cost report and audited financial statement for renewal and recalculation of the per diem rate. The terms of the contracts ran from January 1, 2014 through December 31, 2014 and January 1, 2015 through December 31, 2015. The Company signed a new contract beginning January 1, 2016 through December 31, 2016.

Note 4 – Concentration of Income

As stated in Note 3, the Company received 67% for 2015 and 61% from 2014 of its income from the Indiana Department of Child Services (DCS). The Company is paid a per diem rate based on the number of children in the Company's group home. The Company does not have control over the placement of children in their home. The DCS places children in the Company's home. For the years ended December 31, 2015 and 2014, the Company received \$275,446 and \$256,903, respectively, from the DCS.

Note 5 – Related Party

The Company leases its group home (Note 2) from the Company's shareholder. Rent incurred and paid to the related party was \$19,328 and \$22,812 for the years ended December 31, 2015 and 2014, respectively.

The shareholder has loaned the Company money and is due to be repaid upon demand bearing interest at 0%. Balance outstanding at December 31, 2015 and 2014 is \$31,632 and \$46,029, respectively.

Note 6 – Debt

For 2014, the Company entered into a merchant loan with MCA Fixed Payments LLC in October 2014 for \$35,000. The loan will be paid daily through bank ACH payments of \$194 for 210 days. Total loan repayment will be \$49,000 for an effective interest rate of 17%. At December 31, 2015 and 2014, the outstanding balance was \$ -0- and \$32,066, respectively.

For 2015, the Company entered into a merchant loan with MCA Fixed Payments LLC in November, 2015 for \$48,000. The loan will be paid daily through bank ACH payments of \$261 for 210 days. Total loan repayment will be \$65,499 for an effective interest rate of 15%. At December 31, 2015 and 2014, the outstanding balance was \$44,452 and \$ -0-, respectively.

Note 7 – Unrecognized Tax Benefit

The Company has not taken any uncertain tax positions that would have a material effect on the financial statements. Furthermore, the Company does not have any open examinations by any tax jurisdictions, and did not incur interest or penalties related to tax underpayments in 2015 or 2014.

Note 8 - Evaluation of Subsequent Events

The Company evaluated subsequent events through November 30, 2017 the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

YOUTH OUTLOOK, INC.
Schedule of Administrative and General Expenses
For the Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>%</u> | <u>2014</u> | <u>%</u> |
|--|-------------------|--------------|-------------------|--------------|
| Direct Personnel Costs | | | | |
| Salaries & Wages | \$ 255,746 | 62.34 | \$ 266,816 | 63.26 |
| Payroll Taxes | 19,565 | 4.77 | 20,411 | 4.84 |
| Workers Compensation Insurance | 1,516 | 0.37 | 1,559 | 0.37 |
| Unemployment Insurance | 6,676 | 1.63 | 6,968 | 1.65 |
| Contract Labor | 10,042 | 2.45 | 4,540 | 1.08 |
| Total Direct Personnel Costs | <u>293,545</u> | <u>71.56</u> | <u>300,294</u> | <u>71.20</u> |
| Direct Child/Resident Program Costs | | | | |
| Haircuts | 1,867 | 0.46 | - | - |
| Food | 14,906 | 3.63 | 10,966 | 2.60 |
| Clothing | 3,360 | 0.82 | 2,769 | 0.66 |
| School Supplies & Fees | 904 | 0.22 | 222 | 0.05 |
| Household Supplies | 327 | 0.08 | 137 | 0.03 |
| Medicine Chest Items | 528 | 0.13 | 100 | 0.02 |
| Medical/Prescriptions/Testing | 318 | 0.08 | 794 | 0.19 |
| Personal Incidentals | 2,529 | 0.62 | 1,361 | 0.32 |
| Liability Insurance | 3,898 | 0.95 | 6,075 | 1.44 |
| Activities | 9,290 | 2.26 | 5,435 | 1.29 |
| Total Direct Child/Residnet | <u>37,927</u> | <u>9.25</u> | <u>27,859</u> | <u>6.61</u> |
| Direct Operating Program Costs | | | | |
| Food/Household Supplies | 1,575 | 0.38 | 1,265 | 0.30 |
| Office Supplies | 817 | 0.20 | 1,199 | 0.28 |
| Fees, Dues, & Subscriptions | 14,544 | 3.55 | 13,109 | 3.11 |
| Advertising & Promotion | 60 | 0.01 | - | - |
| Printing/Postage/Shredding | 313 | 0.08 | 324 | 0.08 |
| Conference & Training | 977 | 0.24 | 3,408 | 0.81 |
| Employee Recruitment | 300 | 0.07 | 100 | 0.02 |
| Computer & Internet | 2,966 | 0.72 | 135 | 0.03 |
| Total Direct Operating | <u>21,552</u> | <u>5.25</u> | <u>19,540</u> | <u>4.63</u> |
| Direct Occupancy Program Costs | | | | |
| Storage | 2,044 | 0.50 | 2,437 | 0.58 |
| Property Insurance | - | - | - | - |
| Depreciation | 3,450 | 0.84 | 1,977 | 0.47 |
| Amortization | 1,667 | 0.41 | 5,174 | 1.23 |
| Rent | 19,328 | 4.71 | 22,812 | 5.41 |
| Personal Property Tax | 112 | 0.03 | 76 | 0.02 |
| Utilities | 9,020 | 2.20 | 7,474 | 1.77 |
| Telephone | 2,059 | 0.50 | 2,234 | 0.53 |
| Maintenance & Repairs | 3,270 | 0.80 | 4,408 | 1.05 |
| Small Equipment Purchase | - | - | - | - |
| Security System | - | - | - | - |
| Total Direct Occupancy | <u>40,950</u> | <u>9.98</u> | <u>46,592</u> | <u>11.05</u> |
| Direct Travel | | | | |
| Gas, Oil, Maint & Repair | 8,636 | 2.11 | 10,927 | 2.59 |
| Auto Insurance | 5,277 | 1.29 | 3,309 | 0.78 |
| Total Direct Travel | <u>13,913</u> | <u>3.39</u> | <u>14,236</u> | <u>3.38</u> |
| Indirect Personnel Program Costs | | | | |
| General Administrative | - | - | - | - |
| Total Indirect Personnel Costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 407,887</u> | <u>99.43</u> | <u>\$ 408,521</u> | <u>96.86</u> |