

**YOUTH SERVICES FOR
OKLAHOMA COUNTY, INC.
AND
YOUTH SERVICES HOLDING COMPANY, INC.**

**Financial and Compliance Report
for the year ending
June 30, 2010**



**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.**

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BELL & RHODES, P.C.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Youth Services for Oklahoma County, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying consolidated statement of financial position of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** (non-profit organizations) as of June 30, 2010, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 audit.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** as of June 30, 2010, and the consolidated changes in their net assets and their consolidated cash flows for the year 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 30, 2009 on our consideration of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** internal control over financial reporting and on our tests of its 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 nor 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** taken as a whole. The accompanying Schedules of Functional Allocation of Expenses, Federal Awards, and State Awards are presented for purposes of additional analysis, the latter two schedules are required under *Governmental Auditing Standards*. This supplemental information 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.

A handwritten signature in black ink that reads "Bell & Rhodes P.C." in a cursive, stylized font.

September 30, 2010

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC. AND
OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Consolidated Statement of Financial Position
June 30, 2010**

ASSETS

Current Assets:

Cash	\$ 320,091
Government Contracts Receivable (Note 10)	171,586
Pledge and Other Receivables (Note 10)	15,134
Prepaid Insurance	<u>15,604</u>
Total Current Assets	522,415

Investments:

Beneficial Interest in Securities Held by Others (Note 2)	403,509
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Fixed Assets: (Note 5)

Buildings and Land	3,085,852
Equipment	169,206
Furniture	<u>204,242</u>
	3,459,300
Less: Accumulated Depreciation	<u>(818,890)</u>
	<u>2,640,410</u>

Total Assets **\$ 3,566,334**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 31,837
Accrued Payroll	44,102
Accrued Leave	37,174
Accrued 401(K) Payment	52,878
Mortgage Payable Current (Note 10)	<u>55,105</u>
Total Current Liabilities	221,096

Net Assets:

Unrestricted	2,941,729
Temporarily Restricted (Note 14)	334,878
Permanently Restricted (Note 15)	<u>68,631</u>
Total Net Assets	<u>3,345,238</u>

Total Liabilities and Net Assets **\$ 3,566,334**

See Accompanying Notes to Financial Statements

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC. AND
OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Consolidated Statements of Activity and Change in Net Assets
For The Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Public Donations	\$ 170,785	\$ -	\$ 3,000	\$ 173,785
In-Kind Donations	58,713			58,713
State and City Grants and Contracts	2,214,949	-	-	2,214,949
Federal School Lunch Program	10,164	-	-	10,164
Rental Income	40,350	-	-	40,350
Miscellaneous Income	5,550	-	-	5,550
Special Event Income	210,125	-	-	210,125
Program Income	9,748	-	-	9,748
United Way	30,078	-	-	30,078
Investment Income	4,568	36,208	3,601	44,377
Gain on Sale of Fixed Assets	14,750	-	-	14,750
Total Revenue and Support	<u>2,769,780</u>	<u>36,208</u>	<u>6,601</u>	<u>2,812,589</u>
EXPENSES				
Direct Program Services				
Residential and Short-Term Detention	1,286,940	-	-	1,286,940
Outpatient Services	1,166,692	-	-	1,166,692
Total Direct Program	<u>2,453,632</u>	<u>-</u>	<u>-</u>	<u>2,453,632</u>
Management and Fundraising				
Management Expenses	181,771	-	-	181,771
Fundraising	175,550	-	-	175,550
Total Management and Fundraising	<u>357,321</u>	<u>-</u>	<u>-</u>	<u>357,321</u>
Total Expenses	<u>2,810,953</u>	<u>-</u>	<u>-</u>	<u>2,810,953</u>
Change in Net Assets	(41,173)	36,208	6,601	1,636
Net Assets at the Beginning of Year	<u>2,982,902</u>	<u>298,670</u>	<u>62,030</u>	<u>3,343,602</u>
Net Assets at the End of the Year	<u>\$ 2,941,729</u>	<u>\$ 334,878</u>	<u>\$ 68,631</u>	<u>\$ 3,345,238</u>

See Accompanying Notes to Financial Statements

**YOUTH SERVICE FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.**

**Consolidated Statement of Cash Flows
For The Year Ended June 30, 2010**

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 1,636
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	108,130
Decrease In Grant and Other Receivables	14,047
Decrease in Prepaid Expenses	56
Decrease in Current Liabilities (Other than current notes payable)	<u>(116,393)</u>
Cash Provided by Operating Activities	7,476
 Cash Flows From Investing Activities:	
Donations from YSOC into the SKIL Endowment Fund	(3,000)
Net Non-Cash Change in Beneficial Interest in Securities Held by Others	(39,159)
Purchase of Fixed Assets	<u>(20,467)</u>
Cash Used By Investing Activities	(62,626)
 Cash Flows From Financing Activities:	
Decrease in Notes Payable	<u>(57,262)</u>
Cash Used By Financing Activities	(57,262)
 Change in Cash	 (112,412)
 Cash, Beginning of Year	 <u>432,503</u>
 Cash, End of Year	 <u>\$ 320,091</u>

See Accompanying Notes to Financial Statements

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC. AND
OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Consolidated Statement of Functional Allocation of Expenses
For the Year Ending June 30, 2010**

Direct Program Expenses:	Program <u>Residential</u>	Program <u>Outpatient</u>	Program <u>Administration</u>	Program <u>Total</u>	Administration	Fundraising
Occupancy						
Building Supplies/ Maintenance	\$ 19,870	\$ 262	\$ 25,921	\$ 45,853	\$ -	\$ -
Property Insurance	6,738	-	25,045	31,783	-	-
Rent	62,329	-	31,271	93,600	-	-
Telephone	5,797	3,348	9,369	18,514	-	-
Utilities	36,860	1,199	32,065	70,124	-	-
Total Occupancy	131,394	4,809	123,671	259,874	-	-
Operating Expenses						
Audit Fees	4,278	-	7,347	11,625	-	-
Contractors	6,182	232,095	11,238	249,515	-	-
Data Equipment/ Software	1,576	2,196	830	4,602	-	-
Equipment Rental/ Maintenance	6,760	4,519	5,123	16,402	-	-
Food	15,599	1,680	164	17,443	-	-
Insurance	7,604	-	13,059	20,663	-	-
Memberships	-	-	180	180	-	-
Office Supplies/ Postage	5,744	1,109	8,205	15,058	-	-
Payroll/ Bank Services	-	-	8,878	8,878	-	-
Professional Fees	1,810	100	2,725	4,635	-	-
Program Supplies	11,685	38,775	307	50,767	-	-
Publications/ Subscriptions	536	129	1,010	1,675	-	-
Recruitment Costs	401	206	233	840	-	-
Staff Training	850	6,968	1,279	9,097	-	-
Travel	1,218	42,153	1,178	44,549	-	-
Vehicle Expense	2,623	1,809	910	5,342	-	-
Total Operating Expenses	66,866	331,739	62,666	461,271	-	-
Personnel Costs						
Employee Benefits	117,214	37,413	16,978	171,605	-	3,015
Payroll Taxes	58,020	29,719	19,190	106,929	-	3,408
Retirement Expense	24,384	14,287	9,790	48,461	-	1,738
Unemployment Tax	972	434	186	1,592	-	34
Wages	762,125	388,225	249,859	1,400,209	-	44,360
Workman's Comp.	21,641	10,986	7,135	39,762	-	1,267
Total Personnel Costs	984,356	481,064	303,138	1,768,558	-	53,822
Total	1,182,616	817,612	489,475	2,489,703	-	-
Less: Intercompany Rent	(62,329)	(31,271)	-	(93,600)	-	-
Total Direct Expenses	1,120,287	786,341	489,475	2,396,103	-	53,822
Allocated Administration Costs						
Allocated Program Administration	141,548	255,016	(398,564)	-	-	-
Allocated Program Occupancy	5,953	86,958	(92,911)	-	-	-
Total Allocated Expenses	147,501	341,974	(489,475)	-	-	-
Total Program Expense	1,267,788	1,128,315	-	2,396,103	-	53,822
Other Expenses:						
Board Meeting Expenses	-	-	-	-	1,222	-
Depreciation	-	-	-	-	108,130	-
Development Expenses	-	-	-	-	-	15,632
Executive Travel	-	-	-	-	2,389	-
Gifts	-	-	-	-	1,230	-
In-Kind Program Expenses	11,363	38,377	-	49,740	5,902	-
Interest Expense	-	-	-	-	4,384	-
Miscellaneous Expense	7,789	-	-	7,789	-	-
OAYS Dues	-	-	-	-	15,698	-
Rental Expenses	-	-	-	-	42,816	-
Special Events	-	-	-	-	-	106,096
Total Other Expense	19,152	38,377	-	57,529	181,771	121,728
Total Expenses	\$ 1,286,940	\$ 1,166,692	\$ -	\$ 2,453,632	\$ 181,771	\$ 175,550

See Accompanying Notes to Financial Statements

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 1: NATURE OF ACTIVITIES

Youth Services for Oklahoma County, Inc. (YSOC) was formed in 1972 to serve the needs of youth in Oklahoma County, Oklahoma. YSOC provides varied programs, which include 1) the Youth Counseling Center, which provides 24-hour crisis intervention, short-term individual and family counseling, psycho-educational group services, and referral and follow-up, 2) Family Junction, which provides 24-hour residential services to runaway and homeless youth aged 12-17, 3) Skills Education Program (also known as the First Offender Program), which provides first time young offenders the skills necessary to keep them from further criminal activity, and provides parents methods of communication, management and discipline skills, 4) Supporting Kids in Independent Living (SKIL), which provides needed support to high school students living independently so that they can remain in school, 5) Community Intervention Center, which is a 24-hour reception and processing center for juveniles arrested by the police for various non-felonious crimes, 6) Community-at-risk services, such as counseling, tutoring, mentoring and independent living subsidies to at risk youth, and 7) reimbursable services to at-risk youth under the Title XIX Medicaid program funded by the Oklahoma Health Care Authority.

In 1992, the Oklahoma Youth Services Holding Company, Inc. (OYSHC) was formed as a non profit 501(c)(3) corporation for the exclusive purpose of holding title to property utilized by YSOC, and to support the programs of YSOC. As a result of a majority of the members of the boards of directors of each organization serving on each organization's board, and the common financial interest of both organizations, the financial statements have been consolidated. For purposes of these footnotes the abbreviation "YSOC" will refer to the consolidated entities unless stated otherwise.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) FASB ASC 958-210-50-3 formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, which requires the organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the organization is required to present a statement of cash flows.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Restriction on Assets – Net assets and revenues, expenses, gains, and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a 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. YSOC reports temporarily restricted support as unrestricted if restrictions are met in the same reporting period.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents – For purposes of presentation on the statement of cash flows, YSOC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The fair value of cash and cash equivalents is estimated by management to approximate carrying value due at the initial maturities of instruments being three months or less.

Support and Revenue – YSOC receives its support and revenue primarily from the State of Oklahoma Office of Juvenile Affairs, Oklahoma Department of Human Services, the city of Oklahoma City, other state agencies, and the U.S. Department of Agriculture. See Note 3 for details on grants and contracts.

Contributions – The financial statements of YSOC have been prepared in accordance with Financial Accounting Standards Board (FASB) FASB ASC 958-605-25, formerly Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status – The organizations have been ruled exempt from federal income taxes under Section 501c(3) of the Internal Revenue Code and therefore have made no provision for federal income taxes in the accompanying financial statements. There was also no unrelated business income for the year ending June 30, 2010.

Paid Personal Leave – Each employee is entitled to paid personal leave which accrues at the rate of 1.75 days per month for up to two years employment. After two years of employment, the annual leave increases according to years employed, up to a maximum of 2.25 days per month. A maximum of 10 days may be carried over to the next calendar year. Any amount in excess of 10 days will be paid to the employee at 75% of their current salary rate at the end of the calendar year. The accompanying financial statements include a liability of \$37,174 for accrued leave at June 30, 2010.

Volunteer Services – No amounts have been reflected in the financial statements for donated services from unpaid volunteers who assist in fundraising and special projects, since no objective basis is available to measure the value of such services. During the year ended June 30, 2010, YSOC received approximately 2,200 hours of unpaid volunteer assistance from community members and members of its Board of Trustees in support of its programs and fundraising efforts.

Property and Equipment – The majority of property and equipment used by YSOC is owned by Oklahoma Youth Services Holding Company, Inc. Property and equipment purchased by YSOC with a cost of more than \$500 and a useful life of at least three years are recorded at cost. Donated assets are recorded at the estimated fair market value at date of gift. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

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. Accordingly, actual results could differ from those estimates.

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. Most fundraising costs are directly allocated expenses. However, certain employee costs are jointly allocated to fundraising based on approximate time related to the fundraising activity. This allocation is noted in the Statement of Functional Expenses.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 3 – FUNDS HELD IN TRUST BY OTHERS

YSOC Endowment Fund of Oklahoma City Community Foundation – The Youth Services for Oklahoma County Endowment fund (the Fund) is an established component fund of the Oklahoma City Community Foundation (the Foundation). The Foundation has legal ownership of the Fund and variance power over the Fund. YSOC is the beneficiary of the fund and receives distributions from the fund subject to the Foundation's spending policy. As of June 30, 2010 the fair value of the Fund totaled \$163,217 which included donations given to the Foundation directly from YSOC with a fair value of \$58,773 as of June 30, 2010. This latter interest in the Fund is recorded in the financial statements in accordance with FASB ASC 958-605, formerly Statement of Financial Accounting Standards No. 136 "*Transfers to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions from Others.*" The balance of the Fund not recorded in the financial statements includes donations to the Foundation for the benefit of YSOC by third-party donors. The earnings due to YSOC from the Foundation for the year ending June 30, 2010 total \$7,978 and are recorded as unrestricted investment income in these financial statements.

YSOC SKIL Endowment Fund of Communities Foundation of Oklahoma - During current and prior fiscal years temporarily restricted net assets and temporarily restricted donations earmarked for the Supporting Kids in Independent Living (SKIL) program were placed into the Communities Foundation of Oklahoma (CFO) to establish the YSOC SKIL Endowment Fund. Like the endowment fund with the Oklahoma City Community Foundation, Communities Foundation of Oklahoma has legal ownership, and variance power over the fund. YSOC is the beneficiary of the fund and will receive distributions from the fund subject to CFO's spending policy. Since, under certain circumstances and if approved by the board of directors of CFO, YSOC may request a return of the endowment funds it originally invested, but not funds invested by others into CFO for the benefit of YSOC, this portion of the YSOC SKIL Endowment Fund has retained its designation as temporarily restricted. As with the funds held by the Oklahoma City Communities Foundation, this endowment is recorded in the financial statements in accordance with FASB ASC 958-605. The fair value of the YSOC SKIL Endowment Fund as of June 30, 2010 is \$344,736 of which \$334,878 is classified as temporarily restricted and \$9,858 is classified as permanently restricted. Earnings distributed from the funds held by CFO are to be used for the SKIL program and are recorded as increases in temporarily restricted net assets until released from their restriction when used for the SKIL program.

Fair Value Measurement of Endowment Funds – The endowment funds are recorded at fair value based on the fair value of the underlying assets and are considered Level 1 assets. Level 1 assets are those whose values are based on unadjusted, quoted prices for identical assets in an active market.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 4: GRANTS AND CONTRACTS

Youth Services for Oklahoma County, Inc. has met and maintained the requirements of a Designated Youth Services Agency as defined by Oklahoma Statute 7302-3.6a since June 1988, and has received funds each year since, which are specifically appropriated by the state legislature to the Office of Juvenile Affairs for designated Youth Services Agency programs for both the Department of Juvenile Justice and the Department of Human Services and made available through contracts negotiated by the Department of Juvenile Justice. Pursuant to Section 7302-3.5, the agreements are community-based youth services programs, shelters and community intervention centers. Section 7302-3.3 of the Statute states community-based prevention and diversionary youth services programs may include, but are not limited to: Emergency shelter, diagnosis, crisis intervention, counseling, group work, case supervision, job placement, alternative diversion programs for first time offenders and for youth alleged or adjudicated to be in need of supervision, recruitment and training of volunteers, consultation, brokerage of services, agency coordination with emphasis on keeping youth with a high potential for delinquency out of the traditional juvenile justice process and community intervention centers.

Youth Services for Oklahoma County, Inc. received a contract from the State of Oklahoma Office of Juvenile Affairs for the year ended June 30, 2010, which provided reimbursement of cost after submission of proof of expenditures, up to a maximum amount of \$1,013,388 for Community Based Youth Services (CBYS). Due to budget cuts in the Oklahoma State budget, the maximum contract amount was reduced to \$938,009. The contracted services to be performed by YSOC include establishment and maintenance of community-based prevention and diversionary youth services programs which included: an emergency shelter, diagnosis, crisis intervention, counseling, and prevention programs, self-care development/life skills, recreational programs, job placement, First Offender and truancy programs. The actual amount received/accrued under this contract totaled \$938,009 for the year ended June 30, 2010.

YSOC operates a Community Intervention Center (CIC) to process, hold, and counsel youths arrested by the community's police force, as an alternative to jail. YSOC receives operation funding from state and local sources. The Community Intervention Center is located in YSOC's main facility. The original contract amount was \$700,000, however due to budget cuts in the Oklahoma State budget the contract was reduced to \$679,677 for the year ending June 30, 2010. The actual amount received/accrued under this contract totaled \$679,677.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 4: GRANTS AND CONTRACTS (Continued)

YSOC received a Community At Risk Services (CARS) contract from the State of Oklahoma Office of Juvenile Affairs. Under this program, YSOC, either through its staff or contractors, provides counseling, tutoring, mentoring and independent living subsidies to youth referred by the OJA or by Oklahoma County Juvenile Bureau. The actual amount received/accrued under this contract totaled \$533,622.

YSOC also provided reimbursable services to at-risk youth under the Title XIX Medicaid program funded by the Oklahoma Health Care Authority during the year ended June 30, 2010. YSOC received \$39,813 under this contract during its fiscal year 2010.

The Oklahoma Department of Human Services has provided a "Pauline Mayer Grant" to YSOC for the provision of emergency shelter for youths. During the current fiscal year it received \$16,938 under this grant.

The Oklahoma Department of Human Services has provided a grant to cover juvenile fingerprinting costs based on a fixed fee per incident. The total amount paid to YSOC for the year under this grant was \$1,890.

YSOC received a contract from the United States Department of Agriculture for the School Lunch Program. The contract provides reimbursement of a set cost per meal served. YSOC received \$10,164 from this program during the year ending June 30, 2010.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 consists of the following:

	<u>YSOC</u>	<u>OYSHC</u>	<u>Total</u>
Buildings and Land	\$ -	\$ 3,085,852	\$3,085,852
Computer and Office Equipment	20,933	148,273	169,206
Furniture	<u>16,450</u>	<u>187,791</u>	<u>204,241</u>
Total	37,383	3,421,916	3,459,299
Accumulated Depreciation	<u>(20,161)</u>	<u>(798,729)</u>	<u>(818,890)</u>
Net Property & Equipment	<u>\$ 17,222</u>	<u>\$ 2,623,187</u>	<u>\$ 2,640,409</u>

NOTE 6: EMPLOYEE BENEFIT PLAN

YSOC revised its retirement plan effective July 1, 1997. The former money purchase pension plan for eligible employees was terminated and replaced with a 401(K) plan. Employees are eligible to participate in the plan after both attaining age 21 and completing 1,000 hours of service during the Plan Year. The plan was amended last

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 6: EMPLOYEE BENEFIT PLAN (Continued)

year to change the eligibility requirement for employer's contributions to qualified employees who are employed on the last day of the plan year. The plan allows for employee self-direction of investments and has two plan entrance dates during the year. YSOC's Board of Trustees elected an employer profit sharing contribution rate of 2.0% of eligible employee compensation for fiscal year 2010. In addition the board elected a dollar for dollar matching contribution of eligible employee's contributions to their retirement accounts of up to 4.0% of eligible compensation. These rates may change from year to year under the plan agreement as determined by YSOC's Board of Trustees. Although YSOC plans to make a contribution to the plan every year, it is not required to do so. Retirement contributions applicable to the year ended June 30, 2010 totaled \$52,878 which is payable subsequent to year-end.

NOTE 7: MANAGEMENT AND ADMINISTRATION EXPENSE

Expenses are classified according to their function. Expenses that are not identifiable with any of the YSOC's program services, but are critical to all of them and to the entity's existence, are classified as administration expenses.

NOTE 8: OPERATING LEASES

Effective August 1, 1993, YSOC entered into a lease with its affiliate, Oklahoma Youth Services Holding Company (OYSHC) for its office space. The lease is reviewed annually during the start of the fiscal year beginning July 1. The monthly lease payment may increase or decrease each year based on the fair market value of rent in the surrounding community. YSOC is responsible for all monthly utilities and insurance during the term of the lease. Rent expense paid to OYSHC during the year ended June 30, 2010 totaled \$93,600. As the financial statements presented here for these two entities have been consolidated, the rental income and rental expense have been eliminated.

NOTE 9: NOTE PAYABLE

Oklahoma Youth Services Holding Company refinanced its note payable with a local bank at the end of the current fiscal year-end. The note, totaling \$117,000 and carrying an interest rate of 5%, is scheduled to be fully amortized in 11 months, ending in May of 2011. The note is secured by real estate owned by OYSHC located at 201 N.E. 50th Street in Oklahoma City, Oklahoma. The note had an outstanding balance of \$55,105 as of June 30, 2010. Remaining principal payments are as follows:

6-30-11	\$55,105
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**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 10: RECEIVABLES AND CONCENTRATION OF CREDIT RISK

Grants and other receivables are comprised of the following as of June 30, 2010:

Government Contracts Receivable	\$ 171,586
Donation Pledges	4,310
Due from OKC Community Foundation	7,978
Due from Paypal	798
Insurance Claim Receivable	1,433
Other Miscellaneous Receivables	615
Total	<u>\$ 186,720</u>

Collections subsequent to year end, and the collection history for such receivables indicates that an allowance for uncollected receivables is not warranted.

Donation pledges are reported at their fair value and are all expected to be collected within one year. As such the fair value is equal to the amount pledged.

YSOC maintains its bank accounts at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Based on both YSOC and OYCHC's cash flow position, the balance in their respective "Treasury" bank accounts, could exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. Management does not believe that the organization is exposed to significant credit risk. At June 30, 2010, the bank balance for YSOC's operating and treasury accounts totaled \$146,786. The balance for OYSHC's operating and treasury accounts totaled \$157,442.

NOTE 11: ECONOMIC DEPENDENCY

The organization receives a significant portion of its revenue from funds provided through federal and state grants. The grant amounts are appropriated each year at the federal and/or state level. If significant budget cuts are made at the federal and/or state level, the amount of funds the organization receives could be reduced significantly and have an adverse impact on its operations.

NOTE 12: CONTINGENT LIABILITIES

The organization participates in a number of federal and state assisted programs. These programs are audited in accordance with Government Auditing Standards. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may require further examinations in the future that could result in disallowed costs reimbursable to the grantor.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 13: TEMPORARILY RESTRICTED NET ASSETS

As stated in Note 3, YSOC has established the SKIL Endowment Fund with the Communities Foundation of Oklahoma (CFO) for the support of the Supporting Kids in Independent Living (SKIL) program. The Fund is split into two separate funds, one established with donations made by YSOC, and the other established by third parties for the benefit of the SKIL Endowment Fund. As described in Note 3, since under certain circumstances and if approved by the board of directors of CFO, YSOC may request a return of the endowment funds it originally invested, but not funds invested by others into CFO for the benefit of YSOC, this portion of the YSOC SKIL Endowment Fund is classified as temporarily restricted. The fair value of this fund as of June 30, 2010 is \$334,878, as defined in Note 3.

NOTE 14: PERMANENTLY RESTRICTED NET ASSETS

The Youth Services for Oklahoma County Endowment fund (the Fund) and the YSOC SKIL Endowment Fund established directly by third parties are both established component funds of the Oklahoma City Community Foundation (the Foundation) and the Communities Foundation of Oklahoma (CFO) and thus have been classified as permanently restricted. The Foundation and CFO have legal ownership of the Funds and variance power over them. YSOC is the beneficiary of the Funds and receives distributions from the fund subject to the Foundation and CFO's spending policies. The fair value, as defined in Note 3, of the Foundation fund as of June 30, 2010 was \$58,773 and the fund held at CFO as of June 30, 2010 was \$9,858 for a total of \$68,631.

NOTE 15: INVESTMENT INCOME

Unrestricted:	
Dividends and interest	\$ 9,646
Net unrealized losses	< 5,056>
Unrealized appreciation	527
Distributions from OCCF	2,873
Management Fees	<u>< 3,422></u>
	4,568
Temporarily Restricted:	
Unrealized appreciation	36,208
Permanently Restricted:	
Unrealized appreciation	<u>3,601</u>
Total	<u>\$44,377</u>

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2010**

NOTE 16: SUBSEQUENT EVENT EVALUATION

Subsequent events have been evaluated through September 30, 2010, the date of the issuance of the auditor's report. The auditor's report was available for issuance on October 8, 2010.



BELL & RHODES, P.C.

**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 Services For Oklahoma County, Inc.
Oklahoma City, Oklahoma

We have audited the financial statements of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** (nonprofit organizations), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2010. 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 Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A material weakness in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.'s** consolidated financial statements are free of material misstatements, 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 noncompliance 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*.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, 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.

Bell, R. Rhodes, P.C.

September 30, 2010

YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2010

<u>U. S. Department of Agriculture</u>	<u>Agreement Number</u>	<u>Contract Period</u>	<u>Contract Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
Passed Through the Oklahoma State Department of Human Services Nutrition Program:					
National School Lunch School Breakfast Program	55-12-54	07/01/09 - 06/30/10	N/A	\$ 10,164	\$ 10,164
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 10,164</u>	<u>\$ 10,164</u>

See Accompanying Notes to Financial Statements

YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
Schedule of Expenditures of State Awards
For the Year Ending June 30, 2010

<u>State/ City Grantor/Program Title</u>	<u>Contract Period</u>	<u>Contract Amount</u>	<u>Revenue Received</u>	<u>Expenditure</u>
<i>Cost Reimbursement Contracts</i>				
<u>Office of Juvenile Affairs</u>				
Community Based Youth Services Shelter- Outreach- First Time Offender	7/1/09 - 6/30/10	\$ 938,009	\$ 938,009	\$ 1,177,017
<u>Oklahoma City Public Schools</u>				
Supporting Kids in Independent Living	7/1/09 - 6/30/10	5,000	<u>5,000</u>	<u>5,000</u>
<i>Total Cost Reimbursement</i>			<u>\$ 943,009</u>	<u>\$ 1,182,017</u>
<i>Fee for Service Contracts</i>				
<u>City of Oklahoma City</u>				
Community Intervention Center (CIC)	7/1/09 - 6/30/10	\$ 679,677	\$ 679,677	N/A
<u>Oklahoma Department of Human Services</u>				
Emergency Shelter	7/1/09 - 6/30/10	N/A	16,938	N/A
<u>Office of Juvenile Affairs</u>				
Community-At-Risk (CARS)	7/1/09 - 6/30/10	N/A	533,622	N/A
<u>Oklahoma Department of Human Services</u>				
Finger Printing Services	7/1/09 - 6/30/10	N/A	1,890	N/A
<u>Health Care Authority</u>				
Medicaid	7/1/09 - 6/30/10	N/A	<u>39,813</u>	N/A
<i>Total Fee for Service</i>			<u>1,271,940</u>	
TOTALS			<u>\$ 2,214,949</u>	<u>\$ 1,182,017</u>

See Accompanying Notes to Financial Statements