

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

**Financial and Compliance Report
for the year ended
June 30, 2009**



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, 2009, 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, 2009, 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 15, 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 provision 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 Federal and State Awards are presented for purposes of additional analysis. 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.

Bell & Rhodes, P.C.

September 15, 2009

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC. AND
OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Consolidated Statement of Financial Position
June 30, 2009**

ASSETS

Current Assets:

Cash	\$ 432,503
Grants and Other Receivables	200,767
Prepaid Insurance	<u>15,660</u>
Total Current Assets	648,930

Investments:

Beneficial Interest in Securities Held by Others (Note 2)	363,751
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Fixed Assets: (Note 4)

Buildings and Land	3,073,924
Equipment	193,138
Furniture	<u>201,841</u>
	3,468,903
Less: Accumulated Depreciation	<u>743,231</u>
	<u>2,725,672</u>

Total Assets **\$ 3,738,353**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 113,689
Accrued Payroll	47,249
Accrued Leave	51,660
Accrued 401(K) Payment	69,786
Current Portion of Mortgage Payable (Note 8)	<u>57,330</u>
Total Current Liabilities	339,714

Long-Term Liabilities: (Note 4)

Notes Payable (Note 8)	<u>55,037</u>
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Total Liabilities 394,751

Net Assets:

Unrestricted	2,982,952
Temporarily Restricted (Note 13)	298,670
Permanently Restricted (Note 14)	<u>61,980</u>
Total Net Assets	<u>3,343,602</u>

Total Liabilities and Net Assets **\$ 3,738,353**

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, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Public Donations	\$ 175,827	\$ 50,050	\$ 500	\$ 226,377
In-Kind Donations	28,968			28,968
State and City Grants and Contracts	2,436,745	-	-	2,436,745
Federal School Lunch Program	16,056	-	-	16,056
Rental Income	39,898	-	-	39,898
Miscellaneous Income	2,042	-	-	2,042
Special Event Income	111,435	-	-	111,435
Program Income	6,685	-	-	6,685
United Way	30,191	-	-	30,191
Investment Income	15,118	(50,849)	(1,968)	(37,699)
Temporarily Restriction Lifted by Use of Funds as Designated	50	(50)	-	-
Total Revenue and Support	<u>2,863,015</u>	<u>(849)</u>	<u>(1,468)</u>	<u>2,860,698</u>
EXPENSES				
Direct Program Services				
Residential and Short-Term Detention	1,399,790	-	-	1,399,790
Outpatient Services	1,169,080	-	-	1,169,080
Total Direct Program	<u>2,568,870</u>	<u>-</u>	<u>-</u>	<u>2,568,870</u>
Management and Fundraising				
Management Expenses	149,751	-	-	149,751
Fundraising	87,813	-	-	87,813
Total Management and Fundraising	<u>237,564</u>	<u>-</u>	<u>-</u>	<u>237,564</u>
Total Expenses	<u>2,806,434</u>	<u>-</u>	<u>-</u>	<u>2,806,434</u>
 Change in Net Assets	 56,581	 (849)	 (1,468)	 54,264
 Net Assets at the Beginning of Year	 <u>2,926,371</u>	 <u>299,519</u>	 <u>63,448</u>	 <u>3,289,338</u>
 Net Assets at the End of the Year	 <u>\$ 2,982,952</u>	 <u>\$ 298,670</u>	 <u>\$ 61,980</u>	 <u>\$ 3,343,602</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, 2009**

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 54,264
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	101,144
Increase In Grant and Other Receivables	(1,782)
Decrease in Prepaid Expenses	602
Increase in Current Liabilities (Other than current notes payable)	99,469
Cash Provided by Operating Activities	<u>253,697</u>
Cash Flows From Investing Activities:	
Net Change in Beneficial Interest in Securities Held by Others	(785)
Purchase of Equipment	<u>(81,343)</u>
Cash Used By Investing Activities	(82,128)
Cash Flows From Financing Activities:	
Decrease in Notes Payable	<u>(17,449)</u>
Cash Used By Financing Activities	(17,449)
Change in Cash	154,120
Cash, Beginning of Year	<u>278,383</u>
Cash, End of Year	<u>\$ 432,503</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, 2009**

Direct Program Expenses:	Program Residential	Program Outpatient	Program Administration	Program Total	Administration	Development
Occupancy						
Building Supplies/ Maintenance	\$ 23,232	\$ -	\$ 26,657	\$ 49,889	\$ -	\$ -
Property Insurance	6,621	-	24,609	31,230	-	-
Rent	62,329	-	31,271	93,600	-	-
Telephone	5,447	3,267	12,334	21,048	-	-
Utilities	35,041	1,013	36,872	72,926	-	-
Total Occupancy	132,670	4,280	131,743	268,693	-	-
Operating Expenses						
Audit Fees	4,278	-	7,347	11,625	-	-
Contractors	5,299	246,225	9,101	260,625	-	-
Data Equipment/ Software	2,114	39	1,027	3,180	-	-
Equipment Rental/ Maintenance	6,639	4,109	8,974	19,722	-	-
Food	20,659	1,569	190	22,418	-	-
Insurance	8,104	-	13,918	22,022	-	-
Memberships	-	-	70	70	-	-
Office Supplies/ Postage	6,424	981	11,194	18,599	-	-
Payroll/ Bank Services	-	-	9,595	9,595	-	-
Professional Fees	1,155	200	1,530	2,885	-	-
Program Supplies	14,909	27,184	504	42,597	-	-
Publications/ Subscriptions	397	-	682	1,079	-	-
Recruitment Costs	2,517	828	351	3,696	-	-
Staff Training	1,165	2,827	535	4,527	-	-
Travel	1,809	42,160	1,619	45,588	-	-
Vehicle Expense	5,125	1,383	1,290	7,798	-	-
Total Operating Expenses	80,594	327,505	67,927	476,026	-	-
Personnel Costs						
Employee Benefits	111,294	36,415	26,336	174,045	-	-
Payroll Taxes	63,465	29,660	22,842	115,967	-	-
Retirement Expense	24,337	13,257	11,353	48,947	-	-
Unemployment Tax	1,676	657	315	2,648	-	-
Wages	834,071	389,685	300,117	1,523,873	-	-
Workman's Comp.	12,775	5,929	4,598	23,302	-	-
Total Personnel Costs	1,047,618	475,603	365,561	1,888,782	-	-
Total	1,260,882	807,388	565,231	2,633,501	-	-
Less: Intercompany Rent	(62,329)	(31,271)	-	(93,600)	-	-
Total Direct Expenses	1,198,553	776,117	565,231	2,539,901	-	-
Allocated Administration Costs						
Allocated Program Administration	186,802	281,055	(467,857)	-	-	-
Allocated Program Occupancy	6,241	91,133	(97,374)	-	-	-
Total Allocated Expenses	193,043	372,188	(565,231)	-	-	-
Total Program Expense	1,391,596	1,148,305	-	2,539,901	-	-
Other Expenses:						
Board Meeting Expenses	-	-	-	-	1,783	-
Depreciation	-	-	-	-	101,144	-
Development Expenses	-	-	-	-	-	22,858
Executive Travel	-	-	-	-	2,654	-
Gifts	-	-	-	-	924	-
In-Kind Program Expenses	8,194	20,775	-	28,969	-	-
Interest Expense	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	5,672	-
OAYS Dues	-	-	-	-	15,451	-
Rental Expenses	-	-	-	-	22,123	-
Special Events	-	-	-	-	-	64,955
Total Other Expense	8,194	20,775	-	28,969	149,751	87,813
Total Expenses	\$ 1,399,790	\$ 1,169,080	\$ -	\$ 2,568,870	\$ 149,751	\$ 87,813

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, 2009**

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 board of director of each organization serving on each organizations 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) Statement 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, 2009**

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 (treasury accounts).

Support and Revenue – YSOC receives its support and revenue primarily from the State of Oklahoma Office of Juvenile Affairs, Oklahoma Department of Human Services, various city of Oklahoma City, Oklahoma departments, 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 SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, 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, 2009**

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, 2009.

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 \$51,660 for accrued leave at June 30, 2009.

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, 2009, YSOC received approximately 2,600 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.

YSOC Endowment Fund of Oklahoma City Community Foundation and the YSOC SKIL Endowment Fund of Communities Foundation of Oklahoma – 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.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the prior fiscal year 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 of the Fund 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.

Each Endowment Funds consist of both money contributed directly by YSOC to the funds, and receipts from third party donors made directly to the Foundation and CFO. The portion of the funds established with donations from YSOC for the benefit of YSOC is considered a reciprocal transfer. In accordance with Statement of Financial Accounting Standards Number 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, only the portion of the Fund which was established with funds from YSOC is included as either a permanently restricted net asset, or as stated above in the case of a portion of the SKIL Endowment Fund, a temporarily restricted net asset recorded at fair value in the accompanying financial statements. Distributions from the YSOC Endowment Fund may be used for any purpose by YSOC, and, accordingly, represents an increase in unrestricted net assets of YSOC when received. Distributions from the CFO funds are to be used for the SKIL program and will be treated as increases in temporarily restricted net assets released from their restriction when used for the SKIL program. Changes in the fair value of the asset of these funds represent increases in temporarily restricted or permanently restricted net assets in the year affected.

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.

NOTE 3: 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

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 3: GRANTS AND CONTRACTS (Continued)

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, 2009, 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). 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 \$1,013,388 for the year ended June 30, 2009.

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 organization received \$700,000 under this fee for service contract for the year ending June 30, 2009.

YSOC received a Community At Risk Services (CARS) contract from the State of Oklahoma Office of Juvenile Affairs in the amount of \$611,801 for the State's year ended September 30, 2009. 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.

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, 2009. YSOC received \$32,062 under this contract during its fiscal year 2009.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 3: GRANTS AND CONTRACTS (Continued)

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 \$69,073 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 \$3,728.

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 \$16,056 from this program during the year ending June 30, 2009.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 consists of the following:

	<u>YSOC</u>	<u>OYSHC</u>	<u>Total</u>
Buildings and Land	\$ -	\$ 3,073,925	\$3,073,925
Computer and Office Equipment	19,995	173,143	193,138
Furniture	14,050	187,791	201,841
Total	<u>34,045</u>	<u>3,434,859</u>	<u>3,468,904</u>
Accumulated Depreciation	<u>(17,544)</u>	<u>(725,688)</u>	<u>(743,232)</u>
Net Property & Equipment	<u>\$ 16,501</u>	<u>\$ 2,709,171</u>	<u>\$ 2,725,672</u>

NOTE 5: 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 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 4.0% of eligible employee compensation for fiscal year 2009. In addition the board elected a dollar for dollar matching contribution of eligible employee's contributions to their retirement accounts of up to 4% 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, 2009 totaled \$69,786 which is payable subsequent to year-end.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 6: 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 7: 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, insurance and real estate taxes during the term of the lease. Rent expense paid to OYSHC during the year ended June 30, 2009 totaled \$93,600. As the financial statements presented here for these two entities have been consolidated, the rental income and rental expense has been eliminated.

NOTE 8: 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 24 month, 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 \$112,367 as of June 30, 2009. Remaining principal payments are as follows:

6-30-10	\$57,330
6-30-11	\$55,037

NOTE 9: OYSHC CAPITAL CAMPAIGN

Each year Oklahoma Youth Services Holding Company targets fundraising activities for specific needs at YSOC. During the fiscal year ending June 30, 2009 a contribution of \$50,000 was made to the SKIL Endowment Fund completing the capital campaign for this program.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 10: CONCENTRATION OF CREDIT RISK

Grants and other receivables are comprised of the following as of June 30, 2009:

State Contracts Invoiced but not paid	\$ 193,190
Donation Pledges	3,570
Medicaid Payments for Services	<u>4,007</u>
Total	<u>\$ 200,767</u>

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

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, 2009, the bank balance for YSOC's "Treasury" account totaled \$125,005. The balance for OYSHC's "Treasury" account totaled \$50,002.

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 and the Single Audit Act Amendments of 1996, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations.

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
AND OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Notes to the Financial Statements
For the Year Ending June 30, 2009**

NOTE 13: TEMPORARILY RESTRICTED NET ASSETS

In the prior fiscal year the YSOC began a fundraising program to assist the further funding of the Supporting Kids in Independent Living (SKIL) program. As of June 30, 2009 these funds have been used to establish the YSOC SKIL Endowment Fund with the Communities Foundation of Oklahoma. The SKIL Endowment 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 three the portion of the Fund established by YSOC is maintained as a temporarily restricted net asset. The fair market value of this fund as of June 30, 2009 is \$298,670.

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). 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 market value of these funds as of June 30, 2009 were \$62,030.

NOTE 15: INVESTMENT INCOME

Net investment income is as follows:

Unrestricted

Bank interest on sweep accounts	\$ 2,696
From OCCF	12,422
Total unrestricted investment income	15,118

Temporarily Restricted

From the Communities Foundation of Oklahoma:

Dividends and interest	9,675
Net realized losses	(17,601)
Net unrealized losses	(40,030)
Management fees	(2,893)
Total temporarily restricted investment income	(50,849)

Permanently Restricted

Through the Oklahoma City Community Foundation	(788)
Through the Communities Foundation of Oklahoma	
Net unrealized losses	(1,180)
Total permanently restricted investment income	(1,968)
Total investment income	\$ (37,699)



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 15, 2009. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Youth 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 & Rhodes, PC

September 15, 2009



BELL & RHODES, P.C.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

COMPLIANCE

We have audited the compliance of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended June 30, 2009. **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.**'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal or state programs is the responsibility of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.**'s management. Our responsibility is to express an opinion on organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Services Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Neighborhood Services Organization, Inc.'s compliance with those requirements.

In our opinion, **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2009

INTERNAL CONTROL OVER COMPLIANCE

The management of **Youth Services for Oklahoma County, Inc. and Oklahoma Youth Services Holding Company, Inc.** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of the audit committee, management, board of directors 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.

A handwritten signature in black ink that reads "Belli Rhoads, PC." The signature is written in a cursive, flowing style.

September 15, 2009

YOUTH SERVICES FOR OKLAHOMA COUNTY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2009

<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	55-12-54	07/01/08 - 06/30/09	N/A	\$ 16,056	\$ 16,056
School Breakfast Program					
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 16,056</u>	<u>\$ 16,056</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, 2009

<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	7/1/08 - 6/30/09	\$ 1,013,388	\$ 1,013,388	\$ 1,141,280
<u>Oklahoma City Public Schools</u>				
Supporting Kids in Independent Living	7/1/08 - 6/30/09	NA	<u>6,693</u>	<u>6,693</u>
<i>Total Cost Reimbursement</i>			<u>\$ 1,020,081</u>	<u>\$ 1,147,973</u>
<i>Fee for Service Contracts</i>				
<u>City of Oklahoma City</u>				
Community Intervention Center	7/1/08 - 6/30/09	700,000	\$ 700,000	N/A
<u>Oklahoma Department of Human Services</u>				
Emergency Shelter Service	7/1/08 - 6/30/09	NA	\$ 69,073	N/A
<u>Office of Juvenile Affairs</u>				
Community-At-Risk (CARS)	7/1/08 - 6/30/09	NA	611,801	N/A
<u>Oklahoma Department of Human Services</u>				
Finger Printing Services	7/1/08 - 6/30/09	NA	3,728	N/A
<u>Health Care Authority</u>				
Medicaid	7/1/08 - 6/30/09	NA	<u>32,062</u>	N/A
<i>Total Fee for Service</i>			<u>1,416,664</u>	
TOTALS			<u>\$ 2,436,745</u>	<u>\$ 1,147,973</u>

See Accompanying Notes to Financial Statements

**YOUTH SERVICES FOR OKLAHOMA COUNTY, INC. AND
OKLAHOMA YOUTH SERVICES HOLDING COMPANY, INC.
Schedule of Findings and Questioned Costs for the Years Ended
June 30, 2009 and 2008**

6/30/2009 6/30/2008

Part 1 - Summary of Auditor's Results

Financial Statements

Report of Independent Auditors	Unqualified	Unqualified
Report on Internal Control Over Financial Reporting		
- Material weakness(es) identified?	None	None
Report on Compliance With Requirements		
Applicable to Each Major Program In Accordance		
With OMB Circular A-133		
- Material weakness(es) identified?	None	None
Type of Auditor's Report Issued	Unqualified	Unqualified
Audit findings disclosed that are required to be		
reported in accordance with section 510(a) of		
Circular A-133?	None	None

Major Program:

Name of Program

Oklahoma Office Of Junvenile Affairs Contracts:
 Community Based Youth Services
 Community Intervention Center
 Community-At-Risk

Dollar amount used to distinguish between		
type A and type B programs	NA	NA
(Single Audit required regardless of dollar amount)		

Youth Services for Oklahoma County, Inc. qualified as a low risk auditee for the current year under audit.

Part 2 - Financial Statement Findings	None	None
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Part 3 - Program Findings and Questioned Costs	None	None
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