

BARNES ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

515 CABRILLO PARK DRIVE, SUITE 310  
SANTA ANA, CALIFORNIA 92701

ROBERT K. BARNES, C.P.A.  
PRESIDENT

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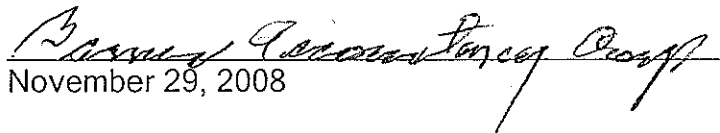
INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Los Alamitos Youth Center, Inc.

We have audited the accompanying statement of financial position of Los Alamitos Youth Center, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows 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. 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 financial position of Los Alamitos Youth Center, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
November 29, 2008

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November 29, 2008

Board of Directors  
Los Alamitos Youth Center, Inc.

We have audited the financial statements of Los Alamitos Youth Center, Inc. for the year ended June 30, 2008, and have issued our report thereon dated November 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 21, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because our audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Los Alamitos Youth Center, Inc; such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we are to advise you about the appropriateness of such policies and their application. In observing the significant accounting policies used by the Organization as described in Note 1 to the financial statements, we noted no transactions entered into by the Organization during the year that were both significant and unusual that under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates employed by the Organization were:

Management's estimate of the allowance for doubtful accounts of \$850 arising from pledges receivable is based on historical collection information. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for depreciation of \$9,895 based on scheduled amortization over the useful lives of the individual assets which method appears to be reasonable.

Other estimates were those of allocations of various overhead expenses to individual program services.

### Audit Adjustments

The attached schedule of audit adjustments, in their aggregate do not materially affect the financial statements taken as a whole, but they more clearly reflect the allocation of certain income and expense items to the various program services.

### Difficulties Encountered In Performing the Audit

We encountered no disagreements with management or difficulties in dealing with management in performing or completing our audit.

This information is intended solely for the use of the Audit Committee (Finance Committee), Board of Directors and Management of Los Alamitos Youth Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

  
November 29, 2008

Los Alamitos Youth Center, Inc.  
Statement of Financial Position  
June 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 64,267
Pledges receivable net of allowance for doubtful accounts of \$850	10,405
Other receivables	17,592
Prepaid expenses	<u>9,857</u>
Total current assets	\$ 102,121
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF \$25,367	<u>13,068</u>
TOTAL ASSETS	<u>\$ 115,189</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,534
Accrued wages	10,859
Accrued payroll taxes	2,670
Deferred revenues	35,491
Participant deposits	<u>15,907</u>
Total current liabilities	\$ 69,461
UNRESTRICTED NET ASSETS	<u>45,728</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 115,189</u>

See accompanying notes to financial statements.

Los Alamitos Youth Center, Inc.  
Statement of Activities  
For the Year Ended June 30, 2008

SUPPORT AND REVENUE

Program services	\$ 340,376
United Way grant	43,200
United Way designated funds	4,862
Fund raising and other contributions	126,887
Facility contributions	3,203
Partnership 4 Solutions	2,000
Interest and miscellaneous	217
	<u>          </u>

TOTAL SUPPORT AND REVENUE \$ 520,745

EXPENSES

Program services	\$ 438,030
Support services-General and administrative	73,183
Support services-Fund raising	8,920
	<u>          </u>

TOTAL EXPENSES \$ 520,133

CHANGE IN NET ASSETS \$ 613

NET ASSETS BEGINNING \$ 45,115

NET ASSETS ENDING \$ 45,728

See accompanying notes to financial statements.

Los Alamitos Youth Center, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2008

	Program Services	Support Services		Total
		General & Administrative	Fund Raising	
Compensation	\$ 173,277	\$ 28,623	\$	\$ 201,900
Payroll taxes & w.c. insurance	23,375	2,620		25,995
Employee Benefits	16,737	5,580		22,317
General insurance	12,029	2,657	186	14,872
Supplies	23,646	5,196	1,387	30,229
Printing and publications	14,069	2,499	1,334	17,902
Meetings and conferences	645	2,174	161	2,980
Program events and transportation	77,448	68		77,516
Postage		1,949	1,035	2,984
Accounting and Auditing		5,535		5,535
Other professional fees	1,240	199		1,439
Membership dues	170	646		816
Outside labor	74,924		3,400	78,324
Fund raising supplies			60	60
Taxes and licenses		218		218
Repairs, maintenance & rent	10,715	1,232		11,947
Staff and volunteer recognition	992	749	557	2,298
Auto expense	605	299		904
Miscellaneous expense and depreciation	8,158	12,939	800	21,897
	<u>\$ 438,030</u>	<u>\$ 73,183</u>	<u>\$ 8,920</u>	<u>\$ 520,133</u>

See accompanying notes to financial statements.

Los Alamitos Youth Center, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	613
Adjustments to reconcile increases in net assets to net assets provided from operating activities:		
Depreciation		10,601
(Increase) or decrease in operating assets:		
Net decrease in pledges receivable		141
Net decrease in other receivables		2,826
Net decrease in prepaid expenses		3,879
Net decrease in snack shack inventories		1,000
Increase or (decrease) in operating liabilities:		
Net increase in accounts payable		1,076
Net decrease in accrued wages		(1,467)
Net increase in accrued payroll taxes		2,670
Net increase in deferred revenues		29,305
Net increase in participant deposits		15,407
Net decrease in accrued interest		<u>(56)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$	65,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		(10,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit		<u>(12,565)</u>
NET INCREASE IN CASH	\$	42,974
BEGINNING CASH		<u>21,293</u>
ENDING CASH	\$	<u><u>64,267</u></u>

See accompanying notes to financial statements.

Los Alamitos Youth Center, Inc.  
Notes to Financial Statements  
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies and Organization

The Financial Statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Organization and Nature of Activities

The Los Alamitos Youth Center, Inc. is a not-for-profit corporation organized under California law, which provides a variety of community services intended principally for children. The Youth Center is exempt from Federal income tax under Internal Revenue Code Section 501 (c) (3). The Organization is also exempt from California corporation franchise tax.

Utilization of the Community Center and Gymnasium Facilities

Under an agreement dated November 23, 1992, the City of Los Alamitos allowed the Los Alamitos Youth Center, Inc. usage of the City-owned Youth Center building, community center and gymnasium, which required payment to the city for specified expenses. The agreement was amended as of September 25, 2000. The amendment allows the Youth Center continued usage of the City-owned Youth Center building in addition to access to the community center one Saturday per month at no cost. The City remains responsible for all maintenance, utility and telephone costs associated with the Youth Center building. This agreement remains in force until September 25, 2023, unless terminated earlier by mutual agreement of the parties.

NOTE 2. Pledges Receivable

Pledges receivable of \$11,255 reflect unconditional pledged contributions. Management estimates, based on prior years experience, that \$850 is a reasonable allowance for doubtful collection of pledges.

NOTE 3. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to five years. Donations of property and equipment are recorded at their estimated fair values at the date of donation.

NOTE 4. Deferrals and Participant Deposits

Deferred revenue and participant deposits are recorded for program registrations received in advance and recognized as revenue in the year in which the services are rendered. The deferred revenue and participant deposits at 6/30/08 were \$35,491 and \$15,907 respectively.

**NOTE 5. Line of Credit**

The Los Alamitos Youth Center, Inc. has a \$50,000 unsecured line of credit with CitiBank to be drawn upon as needed, with an interest rate of 8.0 percent. As of June 30, 2008, there was no unpaid liability on this account.

**NOTE 6. Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of temporary cash investments. Concentrations of credit risk with respect to temporary cash investments are high as all idle funds are invested in one financial institution. At the balance sheet date, the Organization maintained no account in excess of FDIC insured limits.

**NOTE 7. Public Support and Revenue**

Contributions and unconditional pledges to give are recognized as revenue in the year received. Donated assets or gifts in-kind are recorded at their estimated fair market values at the date of donation. The stated policy of the Organization is to recognize contributed services and gifts in-kind that create or enhance long-lived assets or provide those skills that would need to be purchased if not provided.

Direct costs of the Christmas tree lot fundraiser in the amount of \$141,425 have been netted against Christmas tree sales of \$185,565, reflecting net revenues from this activity of \$44,140.

**NOTE 8. Functional Allocation of Expenses**

Salaries and related employee expenses are allocated to program and support service functions based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on estimates.