

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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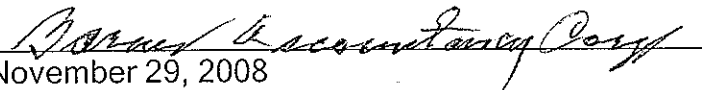
INDEPENDENT AUDITORS' REPORT

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

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

In planning and performing our audit of the financial statements of Los Alamitos Youth Center, Inc., for the year ended June 30, 2008, we considered the organization's internal control system in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to provide assurance on internal control.

We noted certain matters that are opportunities for strengthening internal controls and operating efficiency letter does not affect our report dated November 29, 2008, on the financial statements of Los Alamitos Youth Center, Inc. Our comments are summarized as follows:

Current Year Finding

During the testing of internal control, we observed that the signature of the person making the bank deposit was missing in a few cases from the McBee journal sheet listing cash receipts making up the deposit.

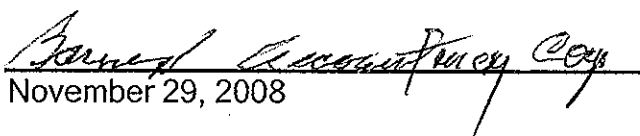
The board should set a minimum value on equipment purchases requiring capitalization. We suggest \$1,000 as a reasonable amount.

We noted that the copies of Board Minutes we examined were unsigned. We simply remind the board that the official copy of the minutes of each board meeting must be signed by the person responsible for taking minutes.

We suggest that an Audit Committee be established and charged with the responsibility of oversight of the annual financial audit.

We wish to thank Tom Stretz and Lina Lehecka for their support and assistance during our audit. If you have any questions regarding the audit or if we can be of assistance in any way, please do not hesitate to contact us.

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

  
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.

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

SUPPORT AND REVENUE

Program services	\$ 320,301
United Way grant	43,200
United Way designated funds	4,862
Fund raising and other contributions	288,386
Facility contributions	3,203
Partnership 4 Solutions	2,000
Interest and miscellaneous	<u>217</u>

TOTAL SUPPORT AND REVENUE \$ 662,169

EXPENSES

Program services	\$ 327,565
Support services-General and administrative	183,646
Support services-Fund raising	<u>150,345</u>

TOTAL EXPENSES \$ 661,556

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	\$ 87,409	\$ 114,491	\$	\$ 201,900
Payroll taxes & w.c. insurance	15,516	10,479		25,995
Employee Benefits		22,317		22,317
General insurance	12,029	2,657	465	15,151
Supplies	37,098	5,196	101,940	144,234
Printing and publications	14,069	2,499	7,509	24,077
Meetings and conferences	645	2,174	1,555	4,374
Program events and transportation	63,997	68		64,065
Postage		1,949	2,314	4,263
Accounting and Auditing		5,535		5,535
Other professional fees	1,240	199		1,439
Membership dues	170	646	196	1,012
Outside labor	74,924		8,192	83,116
Fund raising supplies			6,066	6,066
Taxes and licenses		218	13,726	13,944
Repairs, maintenance & rent	10,715	1,232	4,448	16,395
Staff and volunteer recognition	992	749	1,212	2,953
Auto expense	605	299	1,922	2,826
Miscellaneous expense and depreciation	8,156	12,938	800	21,894
	<u>\$ 327,565</u>	<u>\$ 183,646</u>	<u>\$ 150,345</u>	<u>\$ 661,556</u>

See accompanying notes to financial statements.

Loa 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
et 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.

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.