

Kaleidoscope, Inc.

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
June 30, 2009**

Wolf & Company LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaleidoscope, Inc.
Chicago, Illinois

We have audited the accompanying statement of financial position of KALEIDOSCOPE, INC. as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Kaleidoscope, Inc.'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 statement 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 financial position of Kaleidoscope, Inc. as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009 on our consideration of Kaleidoscope, Inc.'s 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 or 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.

Oak Brook, Illinois
December 15, 2009

Wolf & Company LLP

KALEIDOSCOPE, INC.
STATEMENT OF FINANCIAL POSITION
 June 30, 2009

A S S E T S

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 980,992 |
| Accounts receivable: | |
| Grants and contracts: | |
| Illinois Department of Children and Family Services ("DCFS") | 1,189,470 |
| Other | 1,651 |
| Prepaid expenses | 44,173 |
| Other assets | 37,197 |
| Equipment and leasehold improvements, net | <u>72,804</u> |
| Total assets | <u>\$ 2,326,287</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|---------------------|
| Liabilities: | |
| Accounts payable | \$ 140,273 |
| Advance payments and deferred revenue | 691,444 |
| Deferred rent | 149,075 |
| Accrued liabilities | 260,617 |
| Obligations under capital leases | <u>26,929</u> |
| Total liabilities | <u>1,268,338</u> |
| Net assets: | |
| Unrestricted | 970,339 |
| Temporarily restricted | <u>87,610</u> |
| Total net assets | <u>1,057,949</u> |
| Total liabilities and net assets | <u>\$ 2,326,287</u> |

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Revenues and other support: | | | |
| Government contracts: | | | |
| State of Illinois, DCFS, net | \$ 8,123,923 | \$ - | \$ 8,123,923 |
| Contributions and grants | 123,846 | 171,165 | 295,011 |
| Interest income | 1,568 | - | 1,568 |
| Miscellaneous income | 79,169 | - | 79,169 |
| Net assets released from restrictions | <u>83,555</u> | <u>(83,555)</u> | <u>-</u> |
| Total revenues and other support | <u>8,412,061</u> | <u>87,610</u> | <u>8,499,671</u> |
| Expenses: | | | |
| Program services: | | | |
| Adolescent Parents | 428,263 | - | 428,263 |
| Individual Treatment | 1,691,918 | - | 1,691,918 |
| Medically Complex Program | 769,369 | - | 769,369 |
| Traditional Foster Care | 84,630 | - | 84,630 |
| Adoption Services | 14,901 | - | 14,901 |
| Youth Development | 1,802,721 | - | 1,802,721 |
| Summer Internship | 132,170 | - | 132,170 |
| TLP Implementation | 125,199 | - | 125,199 |
| Transition to Adult Services | 192,245 | - | 192,245 |
| Satellite Family Outreach | 937,360 | - | 937,360 |
| Adoption Preservation, Assessment and Linkage Program | 712,946 | - | 712,946 |
| Norman Cash Assistance Program | 959,642 | - | 959,642 |
| Youth Cash Assistance Program | <u>84,360</u> | <u>-</u> | <u>84,360</u> |
| Total program services | <u>7,935,724</u> | <u>-</u> | <u>7,935,724</u> |
| Supporting and auxiliary services: | | | |
| Resource development | 174,304 | - | 174,304 |
| Grants-in-aid | <u>83,548</u> | <u>-</u> | <u>83,548</u> |
| Total supporting and auxiliary services | <u>257,852</u> | <u>-</u> | <u>257,852</u> |
| Total expenses | <u>8,193,576</u> | <u>-</u> | <u>8,193,576</u> |
| Change in net assets | 218,485 | 87,610 | 306,095 |
| Net assets, beginning of year | <u>751,854</u> | <u>-</u> | <u>751,854</u> |
| Net assets, end of year | <u>\$ 970,339</u> | <u>\$ 87,610</u> | <u>\$ 1,057,949</u> |

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

| | Program Services | | | | | | | | | | |
|---|-----------------------|-------------------------|---------------------------------|-------------------------------|----------------------|----------------------|----------------------|-----------------------|------------------------------------|-------------------|--|
| | Adolescent Parents | Individual Treatment | Medically Complex Program | Traditional Foster Care | Adoption Services | Youth Development | Summer Internship | TLP Implementation | Transition to Adult Services | System of Care | Adoption Preservation, Assessment & Linkage |
| Salaries | \$ 86,133 | \$ 505,071 | \$ 197,197 | \$ 40,000 | \$ 8,443 | \$ 568,378 | \$ 24,024 | \$ - | \$ 115,999 | \$ 493,646 | \$ 385,942 |
| Fringe benefits | <u>23,352</u> | <u>136,711</u> | <u>53,369</u> | <u>10,832</u> | <u>2,278</u> | <u>153,673</u> | <u>6,517</u> | <u>-</u> | <u>31,505</u> | <u>133,872</u> | <u>104,662</u> |
| Total salaries and fringe benefits | 109,485 | 641,782 | 250,566 | 50,832 | 10,721 | 722,051 | 30,541 | - | 147,504 | 627,518 | 490,604 |
| Contractual services: | | | | | | | | | | | |
| Foster care payments | 130,746 | 571,426 | 283,822 | 30,972 | - | - | - | - | - | - | - |
| Other | 14,096 | 37,562 | 4,590 | 2,688 | 4,180 | 5,939 | 111 | 111,554 | 1,045 | 4,620 | 1,480 |
| Consumable supplies | 4,342 | 17,998 | 6,255 | 100 | - | 11,380 | 674 | - | 678 | 3,735 | 3,301 |
| Occupancy - utilities and maintenance | 11,367 | 24,624 | 15,590 | - | - | 41,613 | 1,031 | - | 4,484 | 17,690 | 14,607 |
| Transportation and travel | 6,198 | 24,231 | 12,292 | - | - | 57,824 | 26 | - | 3,437 | 18,842 | 13,547 |
| Assistance to individuals: | | | | | | | | | | | |
| Client allowance payments | - | - | - | - | - | 195,546 | - | - | - | - | - |
| Food, clothing and other | 8,947 | 6,606 | 3,797 | 38 | - | 71,402 | 73,723 | - | - | 5,624 | - |
| Leases and rental | 73,411 | 117,338 | 96,901 | - | - | 442,054 | 5,147 | - | 9,200 | 119,473 | 90,965 |
| Interest | 180 | 773 | 282 | - | - | 760 | 33 | - | 175 | 610 | 427 |
| Other | <u>7,169</u> | <u>25,075</u> | <u>8,112</u> | <u>-</u> | <u>-</u> | <u>23,371</u> | <u>1,972</u> | <u>-</u> | <u>3,920</u> | <u>19,726</u> | <u>10,339</u> |
| Total before depreciation and amortization | 365,941 | 1,467,415 | 682,207 | 84,630 | 14,901 | 1,571,940 | 113,258 | 111,554 | 170,443 | 817,838 | 625,270 |
| Depreciation and amortization | 4,171 | 10,867 | 5,884 | - | - | 10,247 | 444 | - | 2,335 | 8,290 | 5,816 |
| Allocation of management and general | <u>58,151</u> | <u>213,636</u> | <u>81,278</u> | <u>-</u> | <u>-</u> | <u>220,534</u> | <u>18,468</u> | <u>13,645</u> | <u>19,467</u> | <u>111,232</u> | <u>81,860</u> |
| | <u>\$ 428,263</u> | <u>\$ 1,691,918</u> | <u>\$ 769,369</u> | <u>\$ 84,630</u> | <u>\$ 14,901</u> | <u>\$ 1,802,721</u> | <u>\$ 132,170</u> | <u>\$ 125,199</u> | <u>\$ 192,245</u> | <u>\$ 937,360</u> | <u>\$ 712,946</u> |

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

| | Program Services (Cont.) | | | Supporting and Auxiliary Services | | | | |
|---|---|--|---------------------|-----------------------------------|-------------------------|-------------------|-------------------|---------------------|
| | Norman Cash Assistance Program | Youth Cash Assistance Program | Total | Management and General | Resource Development | Grants-in- Aid | Total | Total |
| Salaries | \$ 8,662 | \$ - | \$ 2,433,495 | \$ 476,956 | \$ 55,573 | \$ 42,167 | \$ 574,696 | \$ 3,008,191 |
| Fringe benefits | 2,335 | - | 659,106 | 139,179 | 15,076 | 11,420 | 165,675 | 824,781 |
| Total salaries and fringe benefits | 10,997 | - | 3,092,601 | 616,135 | 70,649 | 53,587 | 740,371 | 3,832,972 |
| Contractual services: | | | | | | | | |
| Foster care payments | - | - | 1,016,966 | - | - | 379 | 379 | 1,017,345 |
| Other | - | - | 187,865 | 22,010 | 9,485 | 1,160 | 32,655 | 220,520 |
| Consumable supplies | 280 | - | 48,743 | 5,656 | 16,091 | 3,094 | 24,841 | 73,584 |
| Occupancy - utilities and maintenance | 650 | - | 131,656 | 20,341 | 1,643 | - | 21,984 | 153,640 |
| Transportation and travel | - | - | 136,397 | 1,689 | 483 | 6,597 | 8,769 | 145,166 |
| Assistance to individuals: | | | | | | | | |
| Client allowance payments | - | - | 195,546 | - | - | - | - | 195,546 |
| Food, clothing and other | 946,285 | 84,360 | 1,200,782 | - | 5,419 | 3,066 | 8,485 | 1,209,267 |
| Leases and rental | - | - | 954,489 | 79,134 | 43,061 | 86 | 122,281 | 1,076,770 |
| Interest | - | - | 3,240 | 511 | 55 | - | 566 | 3,806 |
| Other | 1,430 | - | 101,114 | 81,668 | 26,675 | 1,945 | 110,288 | 211,402 |
| Total before depreciation and amortization | 959,642 | 84,360 | 7,069,399 | 827,144 | 173,561 | 69,914 | 1,070,619 | 8,140,018 |
| Depreciation and amortization | - | - | 48,054 | 4,761 | 743 | - | 5,504 | 53,558 |
| Allocation of management and general | - | - | 818,271 | (831,905) | - | 13,634 | (818,271) | - |
| | <u>\$ 959,642</u> | <u>\$ 84,360</u> | <u>\$ 7,935,724</u> | <u>\$ -</u> | <u>\$ 174,304</u> | <u>\$ 83,548</u> | <u>\$ 257,852</u> | <u>\$ 8,193,576</u> |

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 306,095 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 53,558 |
| Increase in deferred rent | 37,724 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (377,613) |
| Prepays and other assets | 51,578 |
| Accounts payable and accrued liabilities | (34,028) |
| Advance payments and deferred revenue | <u>314,788</u> |
| Net cash provided by operating activities | 352,102 |
| Cash used in investing activities: | |
| Purchase of equipment and leasehold improvements | (2,424) |
| Cash used in financing activities: | |
| Payments on capital lease obligations | <u>(27,478)</u> |
| Net increase in cash and cash equivalents | 322,200 |
| Cash and cash equivalents, beginning of year | <u>658,792</u> |
| Cash and cash equivalents, end of year | <u>\$ 980,992</u> |
| <u>Supplemental disclosure of cash flow information:</u> | |
| Cash paid during the year for interest | <u>\$ 3,806</u> |

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization and Nature of Activities - Kaleidoscope, Inc. (the “Agency”) is a licensed, not-for-profit child welfare agency that specifically serves children and youth considered the State of Illinois' most in need. The Agency is supported primarily by contracts with the Illinois Department of Children and Family Services (“DCFS”). Corporate and foundation grants and individual contributions support additional services and activities not covered under government contracts.

The Agency's services are delivered through the following programs:

The **Adolescent Parents Program** provides foster care and other services for adolescents who are pregnant or parents and their children. This program is designed to provide adequate parenting to adolescents in order for them to develop better parenting skills and move toward independence.

The **Individual Treatment Team** provides foster care for individual children to more closely approximate a normal living situation, as opposed to a more restrictive setting.

The **Medically Complex Program (“MCP”)** provides for specialized foster care for medically fragile children and their families who have been exposed to or infected by the HIV virus or who have another medical condition that warrants special medical care. Foster care homes are specifically recruited and trained to work with these children.

The **Traditional Foster Care Program** provides foster care for individual children who are siblings of children that are in one of our specialized foster care programs.

Adoption Services provides services to certain wards of the Department of Children and Family Services who are legally free for adoption and have been characterized as specialized for treatment because of the extraordinary efforts required to produce adoptive resources for them and to sustain the child and the adoptive family through the pre-placement and post-placement phases of the adoption.

The **Youth Development Program** provides supplemental and substitute care services to prepare children, including adolescent parents, for independent living through supervised, semi-independent apartment living, job services, counseling, recreational activities, transportation, basic living skills training, outreach, client advocacy and collateral services.

DCFS Summer Internship Program was created by the Department of Children and Family Services for approximately 30 college youth. Selected youth are matched with employers throughout the Chicago area for paid, full-time, 10-week internships beginning in early June through mid-August. The Agency assisted in designing the program and also agreed to act as fiscal agent for services to approximately 10 of the youth interns.

The **TLP Implementation Program** is a DCFS program featuring DCFS hired consultants hired to assist agencies redesign transitional and independent living programs. The Agency acts as the fiscal agent for this program.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Cont.)

Organization and Nature of Activities (cont.) -

Transition to Adult Services was created to ensure that DCFS wards with developmental disabilities who are eligible for adult DHS services are successfully transitioned into adult system before their DCFS cases are closed. TAS aids caseworkers and other providers in making timely referrals to adult services, ensuring that all eligible youth receive youth services, and that youth are appropriately placed in the adult system.

System of Care provides services to foster families in the Chicago metropolitan area to successfully stabilize children in the community with their foster families and prevent the unnecessary removal of children from their homes through counseling, tutoring, therapeutic recreation and other social services.

The **Adoption Preservation, Assessment and Linkage Program** consists of locating and identifying post-adoptive and guardianship families who are currently receiving funds as a part of a subsidized adoption or guardianship from the State of Illinois. Once located, the Agency assesses the needs and challenges of the children and other family members and will link the child(ren) and/or family members to appropriate community-based resources as identified.

The **Norman Cash Assistance Program** provides an array of emergency cash assistance child welfare services. The Agency acts as the fiscal agent for DCFS and issues checks on behalf of eligible clients as directed by DCFS.

The **Youth Cash Assistance Program** provides cash assistance to eligible clients, primarily for housing. The Agency acts as the fiscal agent for DCFS and issues checks on behalf of eligible clients as directed by DCFS.

Basis of Presentation - The Agency follows Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Agency also follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a temporary 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. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. The Agency has no permanently restricted net assets.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Cont.)

Basis of Accounting - The Agency follows the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. Government contracts receivable represent amounts due from governmental agencies determined on per diem rates negotiated by the Agency for the various programs.

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

Cash and Cash Equivalents - Cash and cash equivalents are stated at cost, which approximates fair value, and includes money market funds.

Income Taxes - The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Fair Value Measurements - In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 was issued to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles that is intended to result in increased consistency and comparability. The statement also expands disclosures about fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires or permits fair value measurements, but does not expand the use of fair value. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007; however, implementation has been deferred until fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

At June 30, 2009, the Agency does not have any financial assets and liabilities to which the provisions of this statement apply. The Agency is in the process of determining the impact of adopting this standard in 2010 as it relates to nonfinancial assets and liabilities.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from grants, contracts and others.

Equipment and Leasehold Improvements - Equipment and leasehold improvements are stated at cost. The Agency capitalizes all expenditures for fixed assets in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of the lease.

Donated Materials and Services - The value of donated materials and services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Cont.)

Revenue Recognition - Certain contracts with governmental agencies provide for reimbursement of allowable clinical expenditures on a cost basis, subject to maximum contract amounts. Accordingly, revenue from these contracts is recognized as allowable costs are incurred.

Certain other revenue from governmental agencies is based on a pre-established fee amount for each unit of service provided without regard to the provider's costs.

Amounts received or receivable from governmental agencies may be subject to agency audits. Management does not anticipate any material adverse adjustments as a result of such governmental agency audits.

Program Services - The Agency accounts for expenditures incurred by program. Expenditures directly related to a program are charged to that program. For purposes of the DCFS contracts, indirect expenditures are allocated using a method that, in the opinion of management, clearly reflects program operating costs. Management allocates management and general expenditures based on the direct expenditures of each program.

2. Equipment and Leasehold Improvements

At June 30, 2009, equipment and leasehold improvements consisted of the following:

| | |
|--------------------------------|------------------|
| Office furniture and equipment | \$ 635,511 |
| Vehicles | 26,361 |
| Leasehold improvements | 74,073 |
| Computer software | <u>31,516</u> |
| | 767,461 |
| Less accumulated depreciation | <u>(694,657)</u> |
| | <u>\$ 72,804</u> |

3. Line of Credit

The Agency has a line of credit with a bank whereby it may borrow up to 85% of the monthly outstanding receivables, with a maximum of \$600,000 outstanding at any one time. The interest rate is variable and determined by the "Prime Rate" established by the bank. In order to secure the credit line, the Agency has assigned its rights in all contracts with DCFS to the bank. The Agency has no outstanding balance as of June 30, 2009, under this line of credit.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 are available for the following purposes:

| | |
|----------------------------------|------------------|
| Juvenile Justice Trauma Grant | \$ 51,936 |
| Children's Care Foundation Grant | 33,674 |
| Greater Chicago Food Depository | <u>2,000</u> |
| | <u>\$ 87,610</u> |

During the year ended June 30, 2009, net assets released from restrictions were expended to support the following programs:

| | |
|----------------------------------|------------------|
| Juvenile Justice Trauma Grant | \$ 67,229 |
| Children's Care Foundation Grant | <u>16,326</u> |
| | <u>\$ 83,555</u> |

5. Leases

The Agency is obligated for payments under operating and capital lease agreements covering certain office space and equipment through 2018. The office lease obligations include base rent, common area costs and a construction allowance. Future lease payments are as follows:

| Year Ending June 30 | Capital Leases | Operating Leases | Total Minimum Lease Obligations |
|-----------------------------------|-------------------|---------------------|--|
| 2010 | \$ 17,694 | \$ 655,275 | \$ 672,969 |
| 2011 | 11,403 | 671,456 | 682,859 |
| 2012 | - | 600,287 | 600,287 |
| 2013 | - | 484,657 | 484,657 |
| 2014 | - | 441,889 | 441,889 |
| Thereafter | - | 1,783,901 | 1,783,901 |
| Less amount representing interest | <u>(2,168)</u> | <u>-</u> | <u>(2,168)</u> |
| Obligations under capital leases | <u>\$ 26,929</u> | <u>\$4,637,465</u> | <u>\$4,664,394</u> |

The Agency also arranges apartment rentals for clients in its Youth Development Program. These rentals are not reflected in the commitments above as all are leased on either a month-to-month basis or for one year or less. The number of apartments leased is based on the number of clients in the program.

KALEIDOSCOPE, INC.
NOTES TO FINANCIAL STATEMENTS

5. Leases (Cont.)

Total building rent expense for the year ended June 30, 2009 was \$1,076,770, of which \$332,017 relates to apartments leased for clients of the Youth Development Program.

Equipment under capital leases as of June 30, 2009 consists of the following:

| | |
|-------------------------------|------------------|
| Equipment | \$ 124,161 |
| Less accumulated depreciation | <u>(99,638)</u> |
| | <u>\$ 24,523</u> |

Amortization (included in depreciation and amortization expense) was \$26,225 for the year ended June 30, 2009.

6. Employee Benefit Plan

Effective January 1, 2004, the Agency replaced a 401(k) retirement plan with a 403(b) retirement plan for its employees. All regular full-time, non-student employees are eligible to make deferral contributions as of their employment date. There are no employer contributions to the plan.

7. Concentration of Credit Risk

The Agency maintains a cash balance in two financial institutions that, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8. Letter of Credit

The Agency's lease agreement for its main office allows for an irrevocable, unconditional letter of credit in lieu of payment of a security deposit. The Agency has exercised this option and secured a bank letter of credit for \$150,000. The letter expires on May 2, 2010.