

**Youth Quest Inc.**

**Compiled Financial Statements**

**For the Year Ended December 31, 2007**

**Blackman & Sloop, CPAs, P.A.**  
**1414 Raleigh Rd Ste 300**  
**Chapel Hill, NC 27517**

April 04, 2008

To the Board of Directors:

Youth Quest Inc.  
1162 Belfair Way  
Chapel Hill, NC 27517

**ACCOUNTANT'S COMPILATION REPORT**

We have compiled the accompanying statement of financial position of Youth Quest Inc. as of December 31, 2007 and the related statement of activities for the period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Blackman and Sloop*

**Youth Quest Inc.**  
**Statement of Financial Position**  
**December 31, 2007**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash	\$ 18,714.73
Accounts Receivable	<u>78,898.28</u>
<b>Total Current Assets</b>	97,613.01
<b>PROPERTY AND EQUIPMENT</b>	
Furniture & Equipment	12,787.12
Accumulated Depreciation	<u>(11,726.56)</u>
<b>Total Property and Equipment</b>	1,060.56
<b>OTHER ASSETS</b>	
Refundable Deposit	<u>300.00</u>
<b>Total Other Assets</b>	<u>300.00</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 98,973.57</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Youth Quest Debts	\$ 1,439.55
Payroll Liabilities	11,140.62
Due to Member	<u>53,790.47</u>
<b>Total Current Liabilities</b>	<u>66,370.64</u>
<b>Total Liabilities</b>	66,370.64
<b>NET ASSETS</b>	
Accumulated Earnings	116,205.06
Net Income (Loss)	<u>(83,602.13)</u>
<b>Total Net Assets</b>	<u>32,602.93</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 98,973.57</u></u>

See Accountants' Compilation Report

**Youth Quest Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

<b>Revenue</b>	
Services Rendered	\$ 439,233.27
Others Income	4,801.28
Income Offset Accounts	<u>3,090.80</u>
<b>Total Revenue</b>	447,125.35
<b>Operating Expenses</b>	
Administration	7,285.40
Salaries and Wages	292,472.44
Payroll Taxes	20,530.14
Legal and Accounting	2,616.43
Contract Labor	2,275.00
Depreciation	2,570.12
Employee Benefits	27,813.11
Group Home Bills	161,223.57
Taxes	<u>7,940.01</u>
<b>Total Operating Expenses</b>	<u>524,726.22</u>
<b>Operating Income (Loss)</b>	(77,600.87)
<b>Other Income (Loss)</b>	
Interest Income	17.38
Gain/Loss on Sale of Equipment	<u>(6,018.64)</u>
<b>Total Other Income (Loss)</b>	<u>(6,001.26)</u>
<b>Income (Loss) Before Income Taxes</b>	<u>(83,602.13)</u>
<b>Net Income (Loss)</b>	<u>\$ (83,602.13)</u>

Emily Schofield  
Youth Quest, Inc.  
March 26, 2008  
Page 2

statements, information that is the representation of management. We will not audit or review the financial statements and, accordingly, will not express an opinion or any other form of assurance on them.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue reports on such statements as a result of this engagement.

You are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee any bookkeeping services, tax services, or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform you of any material errors and any evidence or information that comes to our attention during the performance of our compilation procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

The system that we have implemented for your company requires a certain amount of maintenance by you to assure proper stability within the system. The data that you send to us must be properly prepared so that our services to you will be timely and efficient.

Attached to this letter is a list of anticipated standard journal entries that will be made to your general ledger yearly. It is your responsibility to review and understand these entries for accuracy. If you have any questions, please contact us to discuss these entries. Any journal entries made outside of the standard journal entries will be communicated to you for approval yearly.

Our fee for these services is based on multiple factors, including the amount of time required, professional expertise, and computer charges. All invoices are due and payable upon presentation.

Emily Schofield  
Youth Quest, Inc.  
March 26, 2008  
Page 3

Our firm will retain copies of the workpapers and reports for this engagement for five years.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

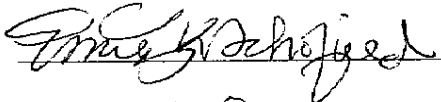
BLACKMAN & SLOOP, CPAs, P.A.



M. Neely McLaughlin, CPA

RESPONSE:

The foregoing engagement letter dated March 26, 2008 is understood and constitutes our continuing agreement with regard to the above stated services for Youth Quest, Inc. for the year ended December 31, 2007, until amended in writing.

Signature:  \_\_\_\_\_

Title: Executive Director \_\_\_\_\_

Date: 3/27/2008 \_\_\_\_\_

William C. Blackman, C.P.A.  
Robin H. McDuffie, C.P.A.  
M. Neely McLaughlin, C.P.A., M.B.A.  
Joan C. Pharr, C.P.A.  
James H. Sloop, C.P.A.  
Andrea P. Woodell, C.P.A.



MEMBERS:

American Institute of  
Certified Public Accountants

North Carolina Association of  
Certified Public Accountants

Carla G. Daniel

April 6, 2008

Youth Quest, Inc.  
1515 West Highway 54, Suite 220  
Durham, NC 27713

Dear Emily:

Enclosed please find a copy of the Compiled Financial Statements for Youth Quest, Inc. for the year ended December 31, 2007.

If you have any questions or if we can be of further assistance, please do not hesitate to call.

Very truly yours,

BLACKMAN & SLOOP, CPAs, P.A.

M. Neely McLaughlin

Enclosures

BLACKMAN & SLOOP, CPAs, P.A.

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530  
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March 26, 2008

Emily Schofield  
Youth Quest, Inc.  
1162 Belfair Way  
Chapel Hill, NC 27517

Re: Compilation Engagement Letter

Dear Emily:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide for the year ending December 31, 2007. We hope to better meet your expectations of service from our firm by clearly identifying the particular services to be provided.

We call your attention to the fact that our services will not satisfy the requirements for an audit in accordance with auditing standards generally accepted in the United States of America. Since we are accepting this engagement as accountants, rather than auditors, we request that you do not record our services as an audit engagement in your minutes.

The objective of these services is to prepare a working trial balance from which financial statements can be compiled.

1. We will compile, from information you provide, the statement of financial position and the related statement of activities of Youth Quest, Inc. for the year ending December 31, 2007. Management has elected to omit substantially all of the disclosures and the statement of changes in cash flows required by accounting principles generally accepted in the United States of America.

We will compile the financial statements and issue an accountant's report thereon in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial

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10:18 AM  
02/21/08  
Cash Basis

**Quest Accounts**  
**Profit & Loss**  
January through December 2007

	Jan - Dec 07
<b>Income</b>	
Youth Quest Master	22,626.01
<b>Total Income</b>	22,626.01
<b>Expense</b>	
1 - Housekeeping/Shelter Cost	
20 - Cleaning Supplies	752.66
23 - Building Maint./Repair	110.99
24 - Repair/Maintain Equipment	331.27
25 - Sanitation&Pest Control	3.49
28 - Linen & Bedding	32.01
29 - Equipment	424.01
30 - Miscellaneous	625.13
1 - Housekeeping/Shelter Cost - Other	653.38
<b>Total 1 - Housekeeping/Shelter Cost</b>	2,932.94
2 - Dietary/Food Cost	
32 - Food	3,025.64
34 - Miscellaneous	66.19
2 - Dietary/Food Cost - Other	9,054.33
<b>Total 2 - Dietary/Food Cost</b>	12,146.16
3 - PersonalNeed Costs/Clothing	
36 - Clothing	472.91
37 - Personal Hygiene Items	491.76
40 - Drugs & Medical Services	168.94
41 - Beauty & Barber Shop	30.00
42 - Miscellaneous	683.26
3 - PersonalNeed Costs/Clothing - Other	-127.13
<b>Total 3 - PersonalNeed Costs/Clothing</b>	1,699.74
4 - Recreational Costs	
44 - Supplies/Equipment/Games	376.51
45 - Recreation Allowance	205.68
46 - Youth Admission Fees	21.00
47 - Youth Dues	16.00
48 - Miscellaneous	353.55
4 - Recreational Costs - Other	1,745.98
<b>Total 4 - Recreational Costs</b>	2,718.72
5 - Educational Cost for Youth	
50 - Educational Supplies	267.02
51 - Activity Fees	62.77
54 - Miscellaneous	7.98
5 - Educational Cost for Youth - Other	-151.99
<b>Total 5 - Educational Cost for Youth</b>	185.78
6 - Transportation Cost	
56 - Fuel/Travel Cost	512.03
64 - Auto Maintenance	133.18
74 - Rent on Auto/Equipment	0.00
6 - Transportation Cost - Other	2,184.20
<b>Total 6 - Transportation Cost</b>	2,829.41
7 - Other Costs	4.00
<b>Total Expense</b>	22,516.75
<b>Net Income</b>	109.26