

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION
RAPID CITY, SOUTH DAKOTA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2010

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youth and Family Services, Inc. and
Youth and Family Services Foundation
Rapid City, South Dakota

We have audited the accompanying consolidated statement of financial position of **YOUTH AND FAMILY SERVICES, INC.** (the Organization) and **YOUTH AND FAMILY SERVICES FOUNDATION** (the Foundation) as of June 30, 2010, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated 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 consolidated financial statements referred to above presented fairly, in all material respects, the financial position of the Organization as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 13 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits 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.

KETEL THORSTENSON, LLP
Certified Public Accountants

October 7, 2010

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010**

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
Cash and Cash Equivalents	\$ 404,299	\$ -	\$ -	\$ 404,299
Inventory	14,834	-	-	14,834
Prepaid Expenses	32,557	-	-	32,557
Government Grant Funds Receivable	545,722	-	-	545,722
Accounts Receivable -- Fees and Other (Net of Allowance of \$48,985)	57,050	-	-	57,050
Promises to Give -- United Way	-	90,400	-	90,400
Promises to Give -- Portion Due Within One Year (Note 2)	20,636	11,702	-	32,338
Total Current Assets	1,075,098	102,102	-	1,177,200
Property and Equipment (Notes 4, 5 and 6)	8,354,722	-	-	8,354,722
Less Accumulated Depreciation	3,060,733	-	-	3,060,733
Total Property and Equipment, Net	5,293,989	-	-	5,293,989
Other Assets				
Promises to Give -- Portion Due After One Year (Note 2)	61,681	10,316	-	71,997
Investments (Note 7)	681,458	255,218	522,246	1,458,922
Total Other Assets	743,139	265,534	522,246	1,530,919
TOTAL ASSETS	\$ 7,112,226	\$ 367,636	\$ 522,246	\$ 8,002,108
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts Payable	\$ 204,348	\$ -	\$ -	\$ 204,348
Accrued Personnel Expenses	725,401	-	-	725,401
Total Current Liabilities	929,749	-	-	929,749
Commitments (Notes 3 and 4)				
Net Assets (Note 5)				
Unrestricted:				
Property and Equipment	5,293,989	-	-	5,293,989
General	189,497	-	-	189,497
	5,483,486	-	-	5,483,486
Board Designated	698,991	-	-	698,991
Total Unrestricted	6,182,477	-	-	6,182,477
Temporarily Restricted	-	367,636	-	367,636
Permanently Restricted	-	-	522,246	522,246
Total Net Assets	6,182,477	367,636	522,246	7,072,359
TOTAL LIABILITIES AND NET ASSETS	\$ 7,112,226	\$ 367,636	\$ 522,246	\$ 8,002,108

The accompanying notes are an integral part of this statement.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 308,341	\$ 20,780	\$ 15,525	\$ 344,646
Bequests and Memorials	4,395	-	-	4,395
Kid's Fair	84,446	-	-	84,446
Dinner Theatre	41,154	-	-	41,154
United Way	-	187,176	-	187,176
<i>Foundation and Corporate Grants:</i>				
Larson Foundation	25,000	-	-	25,000
Vucurevich Foundation	100,000	-	-	100,000
Gwendolyn Stearns Foundation	15,000	-	-	15,000
National GirlStart Program	-	90,072	-	90,072
Citi Foundation - N. America Community Grants	-	20,000	-	20,000
Natl Found. Grieving Children, Teens & Families	-	13,445	-	13,445
First Interstate and First Western Bank Grant	10,000	-	-	10,000
South Dakota Community Foundation	-	12,500	-	12,500
Distribution from Black Hills Community Foundation	4,793	-	-	4,793
Other	23,000	7,500	-	30,500
<i>Investment Income:</i>				
Lemley Trust	-	20,679	-	20,679
Rasmussen Trust	-	37,834	-	37,834
Royalties	4,922	-	-	4,922
Net Realized/Unrealized Gain on Investments (Note 1h)	90,754	32,676	-	123,430
Interest and Dividends	23,476	6,267	-	29,743
Government Grants	7,158,257	-	-	7,158,257
Membership Dues	12,334	-	-	12,334
Program Service Fees	1,137,481	-	-	1,137,481
Donated Rental Facilities (Note 4)	152,812	-	-	152,812
Miscellaneous	979	-	-	979
Gain on Sale of Property and Equipment	6,049	-	-	6,049
Net Assets Released from Restrictions (Note 5)	558,197	(558,197)	-	-
Total Support and Revenues	9,761,390	(109,268)	15,525	9,667,647
Expenses				
<i>Program Services: (Note 1a)</i>				
Counseling Center	307,926	-	-	307,926
Prevention Resource Center	157,345	-	-	157,345
Other Program Services	8,123,510	-	-	8,123,510
Total Program Services	8,588,781	-	-	8,588,781
<i>Supporting Services:</i>				
Administrative	875,057	-	-	875,057
Fundraising	379,629	-	-	379,629
Total Supporting Services	1,254,686	-	-	1,254,686
Total Expenses	9,843,467	-	-	9,843,467
Increase (Decrease) in Net Assets	(82,077)	(109,268)	15,525	(175,820)
Net Assets -- Beginning of Year	6,264,554	476,904	506,721	7,248,179
Net Assets -- End of Year	\$ 6,182,477	\$ 367,636	\$ 522,246	\$ 7,072,359

The accompanying notes are an integral part of this statement.

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,673,745	\$ 602,573	\$ 280,025	\$ 5,556,343
Family Child Care Payments	1,001,154	-	-	1,001,154
Fringe Benefits (Note 3)	504,351	67,312	29,465	601,128
Payroll Taxes	373,180	48,113	22,359	443,652
Supplies	384,824	1,179	28,255	414,258
Depreciation	305,297	7,955	1,196	314,448
Professional and Contracted Services	218,725	43,892	9,236	271,853
Food	227,541	2,465	270	230,276
Rent (Note 4)	198,460	-	-	198,460
Travel and Conferences	122,393	35,352	452	158,197
Utilities	148,608	5,418	774	154,800
Transportation	119,000	278	-	119,278
Insurance	74,881	11,682	288	86,851
Repairs and Maintenance	54,329	1,964	272	56,565
Kid's Fair Expenses	41,408	-	-	41,408
Office Supplies & Postage	9,395	29,783	192	39,370
Telephone	37,644	1,372	196	39,212
Parent Activity	21,107	-	-	21,107
Dues and Subscriptions	17,829	1,101	600	19,530
Subcontracts to Grants	18,371	-	-	18,371
Promotion	9,475	8,824	-	18,299
Bad Debt	10,953	-	6,049	17,002
Excursions	15,756	-	-	15,756
Property Tax	-	5,769	-	5,769
Miscellaneous	355	25	-	380
	<u>\$ 8,588,781</u>	<u>\$ 875,057</u>	<u>\$ 379,629</u>	<u>\$ 9,843,467</u>

The accompanying notes are an integral part of this statement.

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities	
Decrease in Net Assets	\$ (175,820)
<i>Adjustments to Reconcile Decrease in Net Assets to Net Cash</i>	
<i>Flows Used in Operating Activities:</i>	
Depreciation	314,448
Net Realized/Unrealized Gain on Investments	(123,430)
Gain on Sale of Property and Equipment	(6,049)
Contributions Restricted for Long-Term Purposes	(15,525)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>	
Inventory	(1,104)
Prepaid Expenses	647
Government Grant Funds Receivable	(33,601)
Foundation Grant Funds Receivable	60,000
Accounts Receivable	(3,916)
Promises to Give	(67,767)
Promises to Give -- United Way	(3,500)
Accounts Payable	(3,698)
Accrued Personnel Expenses	104,204
Deferred Revenue	(46,623)
Net Cash Flows Used in Operating Activities	(1,734)
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(95,323)
Proceeds from Sale of Property and Equipment	6,585
Purchases of Investments	(164,514)
Proceeds from Sale of Investments	283,180
Net Cash Flows Provided by Investing Activities	29,928
Cash Flows Provided by Financing Activities	
Contributions Restricted for Long-Term Purposes	15,525
Net Increase in Cash and Cash Equivalents	43,719
Cash and Cash Equivalents -- Beginning of Year	360,580
Cash and Cash Equivalents -- End of Year	\$ 404,299

The accompanying notes are an integral part of this statement.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

(1) Summary of Significant Accounting Policies

a. Operations

Youth and Family Services, Inc. (the Organization) operates various programs serving Black Hills area youth including: 1) YFS Girls Incorporated®, providing educational, recreational and health outreach programs for girls ages 6 to 17; 2) YFS Counseling Center, providing assessment, prevention and counseling services for area youth and their families, as well as health advocacy programs for boys, ages 5 to 17 and the Fatherhood First program promoting positive relationships between fathers and their children; 3) YFS Child Care, providing licensed, quality, affordable childcare for children, 4 weeks to 14 years; 4) YFS Nutrition Services, providing or overseeing provisions, over 1 million nutritious meals and snacks annually to children within agency programs, and enrolled in Family Child Care homes through the Family Child Care Nutrition program; 5) YFS Rapid City Prenatal to Five Head Start, a comprehensive, federally-funded program that enhances the physical, social, emotional and intellectual development for low-income families with children, ages 0 to 5, through classroom activities and home visitations; 6) YFS Rural Prenatal to Five Head Start, a parent-focused early childhood education program offering home visits and at-home activities for low-income families with children, ages 0 to 5, in eight counties in western South Dakota; 7) YFS Western Prevention Resource Center, a community resource providing research, training and assistance to schools and other organizations for drug and alcohol abuse prevention; and 8) Teaching SMART (Science, Math and Relevant Technology), a national teacher training program for math and sciences with emphasis on equity training. The Organization is dependent on governmental grants to meet its program needs. For the year ended June 30, 2010, the Head Start grants comprised \$4,997,765 of government grant revenues.

Youth and Family Services Foundation (the Foundation) was created to help provide long-term financial security and stability for the Organization. Its sole purpose is to provide funding for the programs and services of the Organization, and ensure Organization services provided to children and families go uninterrupted.

b. Principles of Consolidation

The consolidated financial statements include the accounts of Youth and Family Services, Inc. and Youth and Family Services Foundation. The Foundation is consolidated since the Organization has an economic interest in the Foundation. All material inter-organization transactions have been eliminated.

c. Use of 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 the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

d. Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting.

e. Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents; however, donor restricted and board designated investments are classified as long-term. The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

f. Inventory

Inventory, primarily consisting of food and postage, is stated at the lower of cost or market, using the first-in, first-out method of valuation.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

(1) Summary of Significant Accounting Policies (Continued)

g. Property and Equipment

Property and equipment purchases of \$5,000 or more are capitalized at cost. Donated property and equipment is stated at fair market value at the date of the donation. Grantors (primarily Head Start) retain a reversionary interest in property and equipment purchased with their funds (see Note 6). Depreciation is computed over the estimated service lives of the respective assets on a straight-line basis. The estimated service lives of the property and equipment are as follows:

Buildings	10-39 Years
Equipment and Furnishings	3-25 Years
Equipment and Vehicles -- Head Start	3-10 Years
Vehicles	5-10 Years

h. Investments

The Organization accounts for investments at fair market value with changes in fair market value accounted for in the Statement of Activities and Changes in Net Assets. Investments are presented in the financial statements at the quoted market value of the securities. Realized and unrealized gains and losses, determined on the basis of the amortized cost of specific investments sold, are recognized in the Statement of Activities and Changes in Net Assets. Investment management fees totaling \$11,847 at December 31, 2009 are included as Professional and Contracted Services in the Consolidated Statement of Functional Expenses.

Management's policy is to charge all gains and losses against the three classes of net assets according to where the investment is being held. According to donor stipulation, investment income earned on permanently and temporarily restricted investments is recorded as unrestricted or temporarily restricted until such time as the restriction is met.

i. Presentation of Net Assets

The Organization reports 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.

j. Grants and Contracts

The Organization recognizes revenue from grants and contracts under various methods. For the Head Start grant, revenue is recognized as expenses are incurred in accordance with the terms of the agreements. For the Division of Alcohol and Drug Abuse counseling contract and the Child and Adult Nutrition Services grant, revenue is recognized on a service unit basis as services are rendered. For the remaining grants and contracts, revenue is recognized under various methods (primarily as expenses are incurred) over their respective terms.

k. Contributions

Unconditional contributions and promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional promises are not recorded in the financial statements until such time as the donor's intent is irrevocable. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization also receives different types of noncash donations such as tickets for children's entertainment, expendable equipment, furnishings, use of vehicles, food for Dinner Theatre, and volunteer help for program and fund raising activities. Due to the nature of these types of donations, no value for these items has been recorded in these financial statements.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

(I) Summary of Significant Accounting Policies (Continued)

l. Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

m. Federal Income Tax

The Organization and the Foundation qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not subject to federal income tax. In addition, the Organization and the Foundation have been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization and the Foundation adopted a new professional accounting standard on July 1, 2009 related to uncertain tax positions. The standard prescribes a recognition threshold and a measurement attribute for all tax positions taken or expected to be taken on a tax return. At June 30, 2010, the Organization and the Foundation believe no significant uncertain tax positions or liabilities exist. In accordance with the applicable statute of limitations, the Organization and the Foundation tax returns could be audited by the Internal Revenue Service for the years ended June 30, 2007 to 2010.

n. Accounts Receivable

Accounts receivable are recorded at the time the revenue is billed. Client receivables not paid within two weeks of the invoice date are considered past due. As of June 30, 2010, receivables totaling \$45,923 are over ninety days delinquent. Management has estimated an allowance for doubtful accounts based on their knowledge of current environmental conditions and historical losses. Receivables will be charged off as uncollectible when management feels they have exhausted all reasonable collection efforts.

o. Fair Value

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level hierarchy for defining classification of input levels is defined as follows:

- Level One: observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded instruments with quoted market prices.
- Level Two: inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.
- Level Three: inputs are based on prices or valuation techniques that are unobservable. These types of assets and liabilities require significant management judgment or estimation.

The following table presents the assets carried at fair value as of June 30, 2010, on the accompanying statement of financial position by fair value hierarchy, as described above. All are measured on a recurring basis. The Organization carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis. Level Two investments include only certificates of deposit and money market accounts. Investment real estate totaling \$220,000 is valued at cost as of June 30, 2010.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

(1) Summary of Significant Accounting Policies (Concluded)

o. Fair Value (Continued)

	Level One	Level Two	Level Three	Total
Money Market Funds Included in				
Cash and Cash Equivalents	\$ -	\$ 346,170	\$ -	\$ 346,170
Investments (Including CDs)	825,759	413,163	-	1,238,922
	<u>\$ 825,759</u>	<u>\$ 759,333</u>	<u>\$ -</u>	<u>\$ 1,585,092</u>

p. Subsequent Events

Management has assessed the Organization and Foundation for significant subsequent events through October 7, 2010, the date which the financial statements were available to be issued.

(2) Capital Campaign and Promises to Give

In the Spring of 2009, the Foundation began the quiet phase of a combined Endowment/Land Campaign. The Campaign pledges to date consist primarily of pledges from employees.

Unconditional promises to give that are outstanding are as follows as of June 30, 2010:

Receivable in less than one year	\$ 24,088
Receivable in one to five years	84,312
Total unconditional promises to give	108,400
Less allowance for uncollectible promises to give	5,420
Total unconditional promises to give net of allowance	102,980
Less discounts to net present value (*)	6,895
Net Unconditional Promises to Give	96,085

Unconditional promises to give outstanding from the 2000 capital campaign as of June 30, 2010 are due from board members within one year.	8,250
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Total Promises to Give	\$ 104,335
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(*) Based on 2.67 percent discount rate.

(3) Employee Benefits

The Organization has a defined contribution profit-sharing and 401(K) plan that covers all employees at least 18 years of age and having at least one year of service. Profit-sharing contributions to this plan are at the discretion of the Board of Directors. Employer matching contributions are required under the terms of the plan document. The expense recognized related to the plan for the year ended June 30, 2010 is \$192,987.

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

(4) Leases

The Organization leases several buildings at a cost below prevailing market rates. In 2010, the Organization recorded the difference between the market value of the leases and the amount paid by the Organization of \$152,812 as Donated Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets.

The Monroe Street building, which is leased by the Organization, is owned by the City of Rapid City. The Organization entered into a 25-year operating lease on this building in December 2009, which is included in Donated Facilities Revenue, as noted above. The Organization is in the process of making significant leasehold improvements to the building, which are expected to be completed February 2011. The total cost of the leasehold improvements progress are expected to be \$489,573. This cost is being funded by the American Recovery and Reinvestment Act and other Head Start and Early Head Start funding. The federal government will have a reversionary interest in the Monroe Street building.

(5) Net Assets

Temporarily and permanently restricted net assets at June 30, 2010, include the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Released FY Ended June 30, 2010</u>
<i>Restricted Net Assets:</i>			
East Adams Facilities and Operations	\$ 37,123	\$ 50,000	\$ 73,816
United Way	90,400	-	183,676
American Dental Association	3,928	-	1,072
Caremobile	8,000	-	-
John Vucurevich Endowment (Foundation)	-	408,824	-
Foundation Campaign 10-Year Donor Restriction (Foundation)	779	-	74
Foundation Campaign Land/Building Improvements (Foundation)	14,153	-	1,687
National Foundation for Grieving Children, Teens & Families	13,410	-	35
Girls Inc. Program Restricted (Foundation)	62,190	-	25,005
Foundation - No program restriction (Foundation)	-	17,922	-
Fatherhood Project	11,658	-	-
Foundation Campaign Fatherhood (Foundation)	-	20,500	-
Fatherhood Project (Foundation)	7,380	25,000	1,002
Rasmussen Trust	18,533	-	34,758
Lemley Trust	10,684	-	27,185
NA ILBA Foundation (Ntl. Assoc. of Independent Life Brokerage Agencies)	-	-	4,822
Share Our Strength (GABS)	756	-	3,541
Avon Foundation	-	-	25,245
Larson Foundation	-	-	18,900
Citi Foundation - North America Community Grants	10,897	-	9,104
National GirlStart Program	13,637	-	76,435
South Dakota Community Foundation	7,680	-	4,820
Wellmark Foundation	56,428	-	67,020
	<u>\$ 367,636</u>	<u>\$ 522,246</u>	<u>\$ 558,197</u>

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

(5) Net Assets (Continued)

Unrestricted net assets at June 30, 2010 include the following:

Property and Equipment	\$ 5,293,989
General	189,497
<i>Board Designated:</i>	
East Adams Facilities and Operations	464,658
Foundation Campaign	110,624
Reserve Funds and Accumulated Earnings (Foundation)	67,845
Kid's Fair	7,677
Emergency Child Care Funds	4,000
State Bus Grant Match	20,000
Fatherhood	23,717
FCC Conference	470
	\$ 6,182,477

The Board of Directors has interpreted the UPMIFA law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by state law.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - June 30, 2009	\$ -	\$ -	\$ 506,721	\$ 506,721
Investment Income	-	52,339	-	52,339
Contributions	-	-	15,525	15,525
Appropriation for Expenditure	-	(52,339)	-	(52,339)
Endowment Net Assets - June 30, 2010	\$ -	\$ -	\$ 522,246	\$ 522,246

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2010**

(5) Net Assets (Concluded)

The Organization has an investment policy which dictates investment principles, objectives, and guidelines. The Organization also has a distribution policy which provides the guidance for disbursement of funds. Both of these policies work together to attempt to provide a predictable growth for the Organization's endowment. Over a ten-year investment horizon, the Organization's objective is to meet or exceed a rate of return equal to the CPI (inflation rate) plus five percent (5%). Actual returns in any given year may vary from this amount.

(6) Property and Equipment

Property and equipment consist of the following at June 30, 2010:

Buildings	\$ 4,652,351
Buildings -- East Adams Street - Reversionary Interest	566,820
Leasehold Improvements -- Monroe Street -- Work in Progress (Note 4)	42,091
Equipment and Vehicles -- Head Start -- Reversionary Interest	1,371,055
Equipment and Furnishings	536,975
Vehicles	519,716
	<u>7,689,008</u>
Less Accumulated Depreciation	<u>3,060,733</u>
	<u>4,628,275</u>
Land -- Plaza and East Adams	665,714
	<u>\$ 5,293,989</u>

(7) Investments

At June 30, 2010, the Organization's investments consist of the following:

Type of Investment	Fair Market Value
Stocks	\$ 699,109
Certificates of Deposit	220,000
Money Market	193,162
Fixed Income Securities	126,651
	<u>1,238,922</u>
	Cost
Land - John Vucurevich Endowment	160,000
Land	60,000
	<u>220,000</u>
Total Investments	\$ 1,458,922

SUPPLEMENTARY INFORMATION

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

<u>ASSETS</u>	Youth & Family Services	YFS Foundation	Eliminations	Total 2010
Current Assets				
Cash and Cash Equivalents	\$ 400,715	\$ 3,584	\$ -	\$ 404,299
Inventory	14,834	-	-	14,834
Prepaid Expenses	32,557	-	-	32,557
Government Grant Funds Receivable	545,722	-	-	545,722
Accounts Receivable -- Fees and Other (Net of Allowance of \$48,985)	81,223	-	(24,173)	57,050
Promises to Give -- United Way	90,400	-	-	90,400
Promises to Give -- Portion Due Within One Year	8,250	24,088	-	32,338
Total Current Assets	1,173,701	27,672	(24,173)	1,177,200
Property and Equipment	8,354,722	-	-	8,354,722
Less Accumulated Depreciation	3,060,733	-	-	3,060,733
Total Property and Equipment, Net	5,293,989	-	-	5,293,989
Other Assets				
Promises to Give -- Portion Due After One Year	-	71,997	-	71,997
Investments	790,555	668,367	-	1,458,922
Total Other Assets	790,555	740,364	-	1,530,919
TOTAL ASSETS	\$ 7,258,245	\$ 768,036	\$ (24,173)	\$ 8,002,108
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 197,909	\$ 30,612	\$ (24,173)	\$ 204,348
Accrued Personnel Expenses	725,401	-	-	725,401
Total Current Liabilities	923,310	30,612	(24,173)	929,749
Net Assets				
Unrestricted:				
Property and Equipment	5,293,989	-	-	5,293,989
General	119,445	70,052	-	189,497
	5,413,434	70,052	-	5,483,486
Board Designated	588,367	110,624	-	698,991
Total Unrestricted	6,001,801	180,676	-	6,182,477
Temporarily Restricted	283,134	84,502	-	367,636
Permanently Restricted	50,000	472,246	-	522,246
Total Net Assets	6,334,935	737,424	-	7,072,359
TOTAL LIABILITIES AND NET ASSETS	\$ 7,258,245	\$ 768,036	\$ (24,173)	\$ 8,002,108

**YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	Youth and Family Services	YFS Foundation	Eliminations	Total <u>2010</u>
Support and Revenues				
Contributions	\$ 232,727	\$ 111,919	\$ -	\$ 344,646
Bequests and Memorials	4,395	-	-	4,395
Kid's Fair	84,446	-	-	84,446
Dinner Theatre	41,154	-	-	41,154
United Way	187,176	-	-	187,176
<i>Foundation and Corporate Grants:</i>				
Larson Foundation	25,000	-	-	25,000
Vucurevich Foundation	100,000	-	-	100,000
Gwendolyn Stearns Foundation	15,000	-	-	15,000
National GirlStart Program	90,072	-	-	90,072
Citi Foundation - N. America Community Grants	20,000	-	-	20,000
Natl. Found. Grieving Children, Teens & Families	13,445	-	-	13,445
First Interstate and First Western Bank Grant	10,000	-	-	10,000
South Dakota Community Foundation	12,500	-	-	12,500
Distribution from Black Hills Community Foundation	-	4,793	-	4,793
Other	30,500	-	-	30,500
<i>Investment Income:</i>				
Lemley Trust	20,679	-	-	20,679
Rasmussen Trust	37,834	-	-	37,834
Royalties	4,922	-	-	4,922
Net Realized/Unrealized				
Gain on Investments	65,242	58,188	-	123,430
Interest and Dividends	16,671	13,072	-	29,743
Distributions To/From Foundation	24,173	-	(24,173)	-
Government Grants	7,158,257	-	-	7,158,257
Membership Dues	12,334	-	-	12,334
Program Service Fees	1,137,481	-	-	1,137,481
Donated Rental Facilities	152,812	-	-	152,812
Miscellaneous	979	-	-	979
Gain on Sale of Property and Equipment	6,049	-	-	6,049
Contract Service Fees	86,372	-	(86,372)	-
Total Support and Revenues	9,590,220	187,972	(110,545)	9,667,647

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	Youth and Family Services	YFS Foundation	Eliminations	Total 2010
Expenses				
Salaries	\$ 5,556,343	\$ -	\$ -	\$ 5,556,343
Family Child Care Payments	1,001,154	-	-	1,001,154
Fringe Benefits	601,128	-	-	601,128
Payroll Taxes	443,652	-	-	443,652
Supplies	412,213	2,045	-	414,258
Depreciation	314,448	-	-	314,448
Professional and Contracted Services	265,408	92,817	(86,372)	271,853
Food	230,055	221	-	230,276
Rent	198,460	-	-	198,460
Travel and Conferences	158,168	29	-	158,197
Utilities	154,800	-	-	154,800
Transportation	119,278	-	-	119,278
Insurance	85,127	1,724	-	86,851
Repairs and Maintenance	56,565	-	-	56,565
Kid's Fair Expenses	41,408	-	-	41,408
Office Supplies & Postage	39,316	54	-	39,370
Telephone	39,212	-	-	39,212
Parent Activity	21,107	-	-	21,107
Dues and Subscriptions	19,280	250	-	19,530
Subcontracts to Grants	18,371	-	-	18,371
Promotion	18,299	-	-	18,299
Bad Debt	10,953	6,049	-	17,002
Excursions	15,756	-	-	15,756
Property Tax	-	5,769	-	5,769
Miscellaneous	380	-	-	380
Donation Expense	-	24,173	(24,173)	-
Total Expenses	9,820,881	133,131	(110,545)	9,843,467
Increase (Decrease) in Net Assets	(230,661)	54,841	-	(175,820)
Net Assets -- Beginning of Year	6,565,596	682,583	-	7,248,179
Net Assets -- End of Year	\$ 6,334,935	\$ 737,424	\$ -	\$ 7,072,359

YOUTH AND FAMILY SERVICES, INC. AND
YOUTH AND FAMILY SERVICES FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Youth and Family Services	YFS Foundation	Eliminations	Total 2010
Cash Flows from Operating Activities				
Increase (Decrease) in Net Assets	\$ (230,661)	\$ 54,841	\$ -	\$ (175,820)
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Flows Provided by (Used in) Operating Activities:</i>				
Depreciation	314,448	-	-	314,448
Net Realized/Unrealized Gain on Investments	(65,242)	(58,188)	-	(123,430)
Gain on Sale of Property and Equipment	(6,049)	-	-	(6,049)
Contributions Restricted for Long-Term Purposes	-	(15,525)	-	(15,525)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>				
Inventory	(1,104)	-	-	(1,104)
Prepaid Expenses	(1,077)	1,724	-	647
Government Grant Funds Receivable	(33,601)	-	-	(33,601)
Foundation Grant Funds Receivable	60,000	-	-	60,000
Accounts Receivable	(28,089)	-	24,173	(3,916)
Promises to Give	5,988	(73,755)	-	(67,767)
Promises to Give - United Way	(3,500)	-	-	(3,500)
Accounts Payable	22,072	(1,597)	(24,173)	(3,698)
Accrued Personnel Expenses	104,204	-	-	104,204
Deferred Revenue	(46,623)	-	-	(46,623)
Net Cash Flows Provided by (Used in) Operating Activities	90,766	(92,500)	-	(1,734)
Cash Flows from Investing Activities				
Purchases of Property and Equipment	(95,323)	-	-	(95,323)
Proceeds from Sale of Property and Equipment	6,585	-	-	6,585
Purchases of Investments	(108,295)	(56,219)	-	(164,514)
Proceeds from Sale of Investments	180,749	102,431	-	283,180
Net Cash Flows Provided by (Used in) Investing Activities	(16,284)	46,212	-	29,928
Cash Flows Provided by Financing Activities				
Contributions Restricted for Long-Term Purposes	-	15,525	-	15,525
Net Increase (Decrease) in Cash and Cash Equivalents	74,482	(30,763)	-	43,719
Cash and Cash Equivalents -- Beginning of Year	326,233	34,347	-	360,580
Cash and Cash Equivalents -- End of Year	\$ 400,715	\$ 3,584	\$ -	\$ 404,299