

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023 AND 2022**



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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3-4
<i>Consolidated Financial Statements:</i>	
Consolidated Statements of Financial Position.....	5-6
Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2023	7
Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2022	8
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2023	9
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2022	10
Consolidated Statements of Cash Flows.....	11-12
Notes to Consolidated Financial Statements	13-26
<i>Single Audit Section:</i>	
Schedule of Expenditures of Federal Awards.....	28-29
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report on Compliance For Each Major Federal Program And on Internal Control over Compliance Required by the Uniform Guidance	32-34
Schedule of Findings	35-36
<i>Management Response:</i>	
Summary Schedule of Prior Audit Findings.....	38
Corrective Action Plan	39



810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: info@ktllp.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youth & Family Services, Inc.,
Youth & Family Services Foundation and
Youth & Family Services QALICB, Inc.
Rapid City, South Dakota

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Youth & Family Services, Inc. (YFS), Youth & Family Services Foundation (the Foundation), and Youth & Family Services QALICB, Inc. (the QALICB), collectively, the Organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Youth & Family Services, Inc., Youth & Family Services Foundation, and Youth & Family Services QALICB, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Board of Directors

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain other internal control matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Organization's consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023 on our consideration of the Organization'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 solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

November 20, 2023

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

<u>ASSETS</u>	2023	2022
Current Assets		
Cash and Cash Equivalents	\$ 1,089,099	\$ 1,193,192
Restricted Cash	389,534	414,476
Inventory	12,864	13,516
Prepaid Expenses	101,859	87,032
Government Grant Funds Receivable	1,136,905	1,024,536
Accounts Receivable - Fees and Other, Net of Allowance of \$12,000 and \$29,090 at June 30, 2023 and 2022, Respectively	64,329	37,918
Promises to Give -- United Way	75,167	109,900
Promises to Give -- Current	120,180	139,722
Total Current Assets	2,989,937	3,020,292
 Property and Equipment	 23,954,882	 23,356,425
Less Accumulated Depreciation	7,130,843	6,349,890
Total Property and Equipment, Net	16,824,039	17,006,535
 Other Assets		
Promises to Give, Net of Current Portion, Allowance and Discount	95,211	186,616
Investments	4,278,628	3,889,218
Note Receivable	8,646,417	8,646,417
Total Other Assets	13,020,256	12,722,251
 TOTAL ASSETS	 \$ 32,834,232	 \$ 32,749,078

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

Current Liabilities

Current Maturities of Long-Term Debt	\$	-	\$	117,992
Accounts Payable		322,245		366,686
Accrued Personnel Expenses		770,470		705,578
Refundable Advance and Unearned Revenue		28,252		134,672
Total Current Liabilities		1,120,967		1,324,928

Long-Term Debt, Net of Current Maturities		12,180,218		12,214,051
--	--	-------------------	--	-------------------

Net Assets

Without Donor Restriction

Property and Equipment, Net of Related Debt		4,643,821		4,674,492
General		11,051,150		10,759,827
Board Designated		1,408,710		1,329,124
Total Without Donor Restriction		17,103,681		16,763,443

With Donor Restrictions - Time or Purpose		996,657		1,134,610
With Donor Restrictions - Perpetual		1,432,709		1,312,046
Total With Donor Restrictions		2,429,366		2,446,656
Total Net Assets		19,533,047		19,210,099

TOTAL LIABILITIES AND NET ASSETS	\$	32,834,232	\$	32,749,078
---	----	-------------------	----	-------------------

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 12,341,729	\$ 240,817	\$ -	\$ 12,582,546
<i>Investment Return :</i>				
Net Realized/Unrealized Gain on Investments	142,492	91,031	124,105	357,628
Interest and Dividends	135,630	63,985	-	199,615
Earnings from Black Hills Community Foundation	17,305	-	-	17,305
Capital Gains	45	137	-	182
Royalties	4,184	-	-	4,184
Brokerage Fees	(9,049)	(23,073)	-	(32,122)
Contributions	330,825	490,887	-	821,712
Program Service Fees	928,786	-	-	928,786
Donated Rental Facilities	165,411	-	-	165,411
Miscellaneous	23,676	-	-	23,676
Loss on Sale of Asset	(1,615)	-	-	(1,615)
Kid's Fair	108,872	-	-	108,872
Dinner Theatre	48,000	-	-	48,000
Dinner Theatre Auction - In-Kind	31,535	-	-	31,535
Membership Dues	40,599	-	-	40,599
Net Assets Released from Restrictions	1,005,179	(1,001,737)	(3,442)	-
Total Support and Revenues	15,313,604	(137,953)	120,663	15,296,314
Expenses				
Program Services	13,242,405	-	-	13,242,405
<i>Supporting Services</i>				
Administrative	1,387,167	-	-	1,387,167
Fundraising	343,794	-	-	343,794
Total Expenses	14,973,366	-	-	14,973,366
Increase (Decrease) in Net Assets	340,238	(137,953)	120,663	322,948
Net Assets - Beginning	16,763,443	1,134,610	1,312,046	19,210,099
Net Assets - Ending	\$ 17,103,681	\$ 996,657	\$ 1,432,709	\$ 19,533,047

The accompanying notes are an integral part of this statement.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 11,324,304	\$ 410,235	\$ -	\$ 11,734,539
<i>Investment Return :</i>				
Net Realized/Unrealized Gain (Loss) on Investments	(759,804)	8,885	90,350	(660,569)
Interest and Dividends	125,044	48,970	-	174,014
Earnings from Black Hills Community Foundation	13,883	-	-	13,883
Capital Gains	2,787	8,314	-	11,101
Royalties	3,707	-	-	3,707
Brokerage Fees	(10,426)	(22,712)	-	(33,138)
Contributions	416,090	556,626	-	972,716
Program Service Fees	827,612	-	-	827,612
Donated Rental Facilities	155,646	-	-	155,646
Miscellaneous	3,246	-	-	3,246
Gain on Sale of Asset	55,301	-	-	55,301
Kid's Fair	127,762	-	-	127,762
Dinner Theatre	10,894	-	-	10,894
Dinner Theatre Auction - In-Kind	37,672	-	-	37,672
Membership Dues	21,467	-	-	21,467
Rental Income	17,242	-	-	17,242
Net Assets Released from Restrictions	1,279,236	(1,268,405)	(10,831)	-
Total Support and Revenues	13,651,663	(258,087)	79,519	13,473,095
Expenses				
Program Services	12,869,714	-	-	12,869,714
<i>Supporting Services</i>				
Administrative	1,286,961	-	-	1,286,961
Fundraising	335,780	-	-	335,780
Total Expenses	14,492,455	-	-	14,492,455
Increase (Decrease) in Net Assets	(840,792)	(258,087)	79,519	(1,019,360)
Net Assets - Beginning	17,604,235	1,392,697	1,232,527	20,229,459
Net Assets - Ending	\$ 16,763,443	\$ 1,134,610	\$ 1,312,046	\$ 19,210,099

The accompanying notes are an integral part of this statement.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program	Administrative	Fundraising	Total
Salaries	\$ 6,830,829	\$ 901,340	\$ 265,523	\$ 7,997,692
Supplies	1,099,730	9,233	14,138	1,123,101
Family Child Care Payments	978,643	-	-	978,643
Fringe Benefits	789,172	104,133	30,676	923,981
Depreciation	841,752	20,128	5,702	867,582
Professional and Contracted Services	593,923	64,416	406	658,745
Payroll Taxes	509,186	67,188	19,793	596,167
Utilities	251,582	1,679	548	253,809
Food	244,908	-	-	244,908
Travel and Conferences	208,000	15,082	48	223,130
Repairs and Maintenance	220,423	585	188	221,196
Rent	215,252	-	-	215,252
Insurance	190,152	10,855	-	201,007
Interest	-	147,554	-	147,554
Promotion	64,195	22,177	-	86,372
Transportation	71,418	2,332	310	74,060
Telephone	36,794	944	268	38,006
Other	33,524	-	-	33,524
Office Supplies and Postage	12,622	18,927	-	31,549
Dues and Subscriptions	19,771	594	4	20,369
Parent Activity	12,844	-	-	12,844
Miscellaneous	9,391	-	-	9,391
Excursions	7,413	-	-	7,413
Bad Debt	881	-	6,190	7,071
Total Expenses	\$ 13,242,405	\$ 1,387,167	\$ 343,794	\$ 14,973,366

The accompanying notes are an integral part of this statement.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program	Administrative	Fundraising	Total
Salaries	\$ 6,712,560	\$ 821,914	\$ 263,574	\$ 7,798,048
Supplies	890,342	9,233	14,138	913,713
Family Child Care Payments	847,737	-	-	847,737
Fringe Benefits	763,446	93,480	29,977	886,903
Depreciation	837,658	14,669	512	852,839
Professional and Contracted Services	619,206	64,416	406	684,028
Payroll Taxes	499,588	61,172	19,617	580,377
Utilities	252,021	1,679	548	254,248
Food	271,953	-	-	271,953
Travel and Conferences	151,846	15,082	48	166,976
Repairs and Maintenance	356,833	585	188	357,606
Rent	203,240	-	-	203,240
Insurance	176,574	10,855	-	187,429
Interest	-	148,901	-	148,901
Promotion	81,267	22,177	-	103,444
Transportation	80,916	2,332	310	83,558
Telephone	32,556	944	268	33,768
Other	21,527	-	-	21,527
Office Supplies and Postage	-	18,928	-	18,928
Dues and Subscriptions	22,562	594	4	23,160
Parent Activity	6,136	-	-	6,136
Miscellaneous	6,766	-	-	6,766
Excursions	18,590	-	-	18,590
Bad Debt	16,390	-	6,190	22,580
Total Expenses	\$ 12,869,714	\$ 1,286,961	\$ 335,780	\$ 14,492,455

The accompanying notes are an integral part of this statement.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES OALICB, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 322,948	\$ (1,019,360)
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	867,582	852,839
Bad Debt Provision	7,071	22,580
Net Realized/Unrealized Gain (Loss) on Investments	(357,628)	660,569
Amortization of Deferred Debt Issuance Costs	44,424	25,284
Loss (Gain) on Sale of Asset	1,615	(55,301)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Inventory	652	1,631
Prepaid Expenses	(14,827)	(75,587)
Government Grant Receivable	(112,369)	334,712
Accounts Receivable	(46,261)	34,912
Promises to Give	95,226	278,403
Promises to Give - United Way	34,733	(61,973)
Accounts Payable	(33,941)	(397,635)
Accrued Personnel Expenses	64,892	(286,056)
Refundable Advance/Unearned Revenue	(106,420)	119,091
Net Cash Provided by Operating Activities	767,697	434,109
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(668,701)	(279,818)
Proceeds from Sale of Fixed Asset	-	55,301
Purchases of Investments	(1,592,165)	(1,440,827)
Proceeds from Sale of Investments	1,560,383	1,427,723
Net Cash Used in Investing Activities	(700,483)	(237,621)
Cash Flows from Financing Activities		
Repayments on Long-Term Debt	(196,249)	(379,115)
Net Cash Used in Financing Activities	(196,249)	(379,115)
Decrease in Cash, Cash Equivalents and Restricted Cash	(129,035)	(182,627)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	1,607,668	1,790,295
Cash, Cash Equivalents and Restricted Cash - End of Year	\$ 1,478,633	\$ 1,607,668

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Reconciliation of Cash and Restricted Cash:		
Cash	\$ 1,089,099	\$ 1,193,192
Restricted Cash - QALICB	389,534	414,476
Total Cash and Restricted Cash	\$ 1,478,633	\$ 1,607,668

Supplemental Disclosures of Noncash Operating and Investing Activities

Purchases of Property and Equipment Included in Accounts Payable	\$ 18,000	\$ -
--	-----------	------

Supplemental Disclosures of Cash Flow Information

Cash Payment for Interest	\$ 147,554	\$ 148,901
---------------------------	------------	------------

The accompanying notes are an integral part of these statements.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

Youth & Family Services, Inc. (YFS) conducts various activities serving Black Hills area youth including: 1) Girls Incorporated® of Rapid City, providing educational, recreational, and health outreach programs for girls, ages 6-17; 2) YFS Counseling Center, providing assessment, prevention and mental health counseling services for area youth and their families, and trauma assessment and treatment through the Youth Trauma Center; 3) YFS Child Development Center, providing licensed, quality, affordable childcare for children, ages 4 weeks - 14 years; 4) YFS Nutrition Services, providing or overseeing provision of more than 711,000 nutritious meals and snacks annually to children within agency programs, the Summer Food Program, and enrolled in Family Child Care homes in 21 counties through the Family Child Care Nutrition program; 5) YFS Rapid City Prenatal to Five Head Start, a comprehensive, federally-funded early childhood education and preschool program that enhances the physical, social, emotional, and intellectual development of low-income children, ages 0-5, and their families through classroom activities and home visits; 6) YFS Home-Based Prenatal to Five Head Start, a parent-focused early childhood education and preschool program offering home visits and at-home activities for low-income families with children, ages 0-5, in seven counties in western South Dakota; 7) YFS Western Prevention Resource Center, providing resources, research, training, and technical assistance to schools, prevention coalitions and other organizations in 24 counties for meth and other drugs, alcohol abuse and violence prevention; 8) the YFS Fatherhood First program, providing father-child activities, fatherhood education, and individual case management services that promote positive relationships between fathers and their children; and 9) Family Support and Advocacy programs providing case management and other services through the Intensive Family Services Program, relationship education for high school students and adults through the Stronger Family Program, and health advocacy services for boys, ages 4-17, through the Boys Health Program. All activities are deemed to fall under the program of serving youth. YFS is dependent on governmental grants to meet many of its program needs. For the years ended June 30, 2023 and 2022, the Head Start grants comprised **\$8,343,886** and **\$7,329,477** of government grant revenues, respectively. The Family Child Care Nutrition program is funded entirely by the Child & Adult Care Food Program through the South Dakota Department of Education & Cultural Affairs. Sources of revenue for other YFS programs include individual contributions, United Way funding, fees and interest income from two trust funds and an endowment, fundraiser proceeds, corporate and foundation grants, as well as city, state, and federal grants.

Youth & Family Services Foundation (the Foundation) was created to help provide long-term financial security and stability for YFS. The Foundation's sole purpose is to provide funding for the programs and services of YFS and ensure YFS services provided to children and families continue uninterrupted.

Youth & Family Services QALICB, Inc. (the QALICB) was established to construct the building expansion on the East Adams Street property. By establishing the QALICB, the entity and expense paid on the construction project qualify to receive the benefit of the Federal New Markets Tax Credits. The property will be leased and exclusively for use by YFS.

Principles of Consolidation

The consolidated financial statements include the accounts of Youth & Family Services, Inc., Youth & Family Services Foundation, and Youth & Family Services QALICB, Inc., collectively the Organization. The Foundation and QALICB are consolidated as YFS has control and an economic interest in each entity. All material inter-organization transactions have been eliminated. In fiscal year 2017, the Foundation established a single member limited liability company named Bright Futures, LLC. This entity operates under the same employer identification number as the Foundation, and the activity of Bright Futures, LLC has been included in the total for the Foundation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. Actual results could differ from those estimates.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Activities and Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization accounts for net assets in the following categories:

Net Assets with Donor Restrictions – Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Amounts that originate and expire in the same fiscal year are reported as net assets without donor restrictions.

Net Assets without Donor Restrictions – Net assets of the Organization that are not subject to donor-imposed restrictions and are available for general operations. In addition, the Board of Directors may designate net assets without donor restriction for specific purposes.

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 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.

The Restricted Cash listed on the Consolidated Statements of Financial Position is the cash held in the QALICB. The accounts are subject to the control and direction of the lenders. The accounts are held as security interest under the loan agreement (Note 8).

Inventory

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

Property and Equipment

Property and equipment are stated at cost. The Organization utilizes a \$5,000 capitalization policy. Donated property and equipment are 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 (Note 6). Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

	Years
Buildings	15-39
Equipment and Furnishings	3-25
Equipment and Vehicles	3-10
Vehicles	5-7

**YOUTH & FAMILY SERVICES, INC.,
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Activities and Significant Accounting Policies

Investments

The Organization accounts for investments at fair market value with changes in fair market value accounted for in the Consolidated Statements of Activities. Net investment return (loss) consists of realized and unrealized gains and losses, interest and dividend income, and external investment expenses. Realized gains and losses from sales of securities are determined on a specific identity basis. Unrealized gains and losses are recognized in the Consolidated Statements of Activities to the extent of the change in aggregate market value of securities at the end of each accounting period. Net investment return is recorded in the appropriate net asset accounts as required by donors.

Leases

All of the Organization's leases have terms of 12 months or less or are cancelable by the lessee and lessor without significant penalties. As such, they are not capitalized as right-of-use assets and lease liabilities but are expensed on a straight-line basis over the lease term. The majority of the Organization's short-term leases relate to various buildings. These leases are entered into at periodic rental rates for an unspecified duration and typically have a termination for convenience provision.

Note Receivable

The note receivable is stated at the unpaid principal balance. Interest on the note receivable is recognized over the term of the note and is calculated using the simple interest method on principal balances outstanding. Payments not received in accordance with the terms of the individual note agreement are considered past due. The note receivable will be charged off as uncollectible when management feels they have exhausted all collection efforts. The allowance for note receivable losses is evaluated by management based upon collection history and current economic conditions. No allowance was deemed necessary at each of the years ended June 30, 2023 and 2022. The note receivable is evaluated annually for impairment. At June 30, 2023 and 2022, the note is not past due and management has determined no impairment exists.

Deferred Debt Issuance Costs

Costs incurred related to debt issuance have been capitalized and are being amortized over the terms of the related debt using the interest method. Such activity is presented as an offset to the liability in the Consolidated Statements of Financial Position.

Revenue Recognition

Grants and Grant Receivables

Grants are received by both federal and private sources. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. No grants were recognized as exchange transactions as of June 30, 2023 or 2022. Most grants are deemed to be conditional contributions and are recognized as revenue when allowable costs are incurred. Such revenues follow a simultaneous release policy and are recorded as net assets without restriction. Grants receivable at June 30, 2023 and 2022 represent unconditional promises to give. Amounts were collected after year-end, resulting in no allowance for uncollectible amounts.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Activities and Significant Accounting Policies

Revenue Recognition

Program Service Fees and Accounts Receivable

Program service fees for childcare and counseling services are recognized as the services are provided. Accounts receivable are recorded monthly at the time the revenue is billed. Client receivables not paid within two weeks of the invoice date are considered past due. At June 30, 2023 and 2022, receivables totaling **\$37,266** and \$43,324, respectively, are over thirty 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 or after two years. The year beginning July 1, 2021 accounts receivable balance totaled \$92,592.

Various events (Kid's Fair and Dinner Theatre) are conducted throughout the year. Fees vary by program and are collected in advance. All programs are short-term in nature, and revenue is recognized at the time the program takes place.

Contributions, Memorials and Promises to Give

Contributions of cash, memorials, and other assets are recognized as revenue in the period received at their fair values. Unconditional promises to give are recognized as revenues in the period pledged. Amounts due after one year are recorded at their present value, using an applicable discount rate. Contributions are distinguished between those that increase net assets with and without donor restriction. An allowance for uncollectible promises to give is estimated based on management's knowledge of current environmental conditions and historical losses.

Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met. Amounts received are recognized as revenue when the Organization has incurred the expenses in compliance with specific contract or grant provisions. These revenues follow a simultaneous release policy and are recorded as net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized.

Contributed Services, Rent, and Auction items

The Organization typically does not sell contributed in-kind contributions; however, any contributions received that are deemed impractical for use in program activities are sold, with any resulting proceeds used in program services. Donated auction items are auctioned to attendees at fundraising dinners. Certain amounts may be donor restricted.

Contributions of services that create or enhance non-financial assets or those that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. No significant amounts meeting this criteria were received in the years ended June 30, 2023 and 2022. The Organization receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the consolidated financial statements since it does not meet the criteria for recognition.

Contributed rent represents free or below market rent for various facilities utilized for program activities. The fair value is estimated based on rental rates of similar properties in the area. The donors have not restricted the use of these facilities.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(1) Nature of Activities and Significant Accounting Policies

Expense Allocation

The costs of providing program and other support activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. The Statements of Functional Expenses present the natural classification detail of expenses by function. Most expenses can be directly allocated to program or supporting functions. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Specifically, salaries and other employee driven expenses are allocated based on actual time spent on each function. Building related expenses are allocated based on square footage.

Federal Income Tax

YFS, the Foundation (including Bright Futures, LLC), and the QALICB qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not subject to federal income tax. In addition, YFS, the Foundation, and the QALICB have each been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. No federal income tax is paid unless net income is derived from activities that are unrelated to exempt activities. No such activities have been conducted.

At June 30, 2023 and 2022, YFS, the Foundation, and the QALICB believe no significant uncertain tax positions or liabilities exist.

Subsequent Events

Management has assessed YFS, the Foundation, and the QALICB for significant subsequent events through November 20, 2023, the date which the consolidated financial statements were available to be issued.

Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The Organization adopted this standard as of July 1, 2022, the beginning of the adoption period. Adoption did not materially impact the Organization's financial statements as all leases have terms of twelve months or less.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(2) Capital Campaign and Promises to Give

The Organization received promises to give through its capital campaign, as well as through corporate and personal spontaneous gifts. Unconditional promises to give are as follows at June 30:

	2023	2022
Receivable in less than one year	\$ 120,180	\$ 139,722
Receivable in one to five years	109,055	208,099
Total unconditional promises to give	229,235	347,821
Less allowance for uncollectible promises to give	(8,028)	(12,210)
Less discounts to net present value (*)	(5,816)	(9,273)
Net unconditional promises to give	\$ 215,391	\$ 326,338

(*) Based on 1.31 percent for the year ended June 30, 2016, 2.08 percent for the year ended June 30, 2017, 2.68 percent for the year ended June 30, 2018, 1.76 percent for the year ended June 30, 2019, 0.30 percent for the year ended June 30, 2020, 0.72 percent for the year ended June 30, 2021, 3.23 percent for the year ended June 30, 2022, and **3.76** percent for the year ended June 30, 2023.

(3) Employee Benefits

YFS 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 of 50.00 percent of the first three percent of the base compensation that a participant contributes to the plan are required under the terms of the plan document. The expenses are included in Fringe Benefits and were **\$271,392** and \$227,625 for the years ended June 30, 2023 and 2022, respectively.

(4) Leases

YFS leases several buildings on a month-to-month basis at a cost below prevailing market rates. Total in-kind rent expense of **\$165,411** and \$155,646 was recorded as Donated Rental Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets for the years ended June 30, 2023 and 2022, respectively.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(5) Net Assets

Net assets with donor restrictions include the following at June 30:

	With Donor Restriction - Time/Purpose	With Donor Restriction - Perpetuity	Released Year Ended June 30, 2023
June 30, 2023			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ -
United Way - Program	75,167	-	165,132
Campaign Time Restriction (a)	15,277	-	226,170
John Vucurevich Endowment (a)	-	408,824	-
Campaign 10-Year Donor Restriction (a)	2,493	-	32
No Program Restriction Endowment (a)	-	17,922	-
BHACF Endowment (a)	-	10,000	-
Campaign Endowment Fatherhood (a)	-	65,535	-
Fatherhood Project Reserves/Endowment (a)	90,483	25,000	23,494
Girls Inc. (a)	26,699	1,025	21,397
Lemley Funds Endowment Girls Inc. Program (a)	30,786	492,339	31,949
Rasmussen Trust Distribution - Program Restricted	21,661	-	40,493
Lemley Trust Distribution - Program Restricted	31,107	-	25,715
Campaign - No Program Restriction Endowment (a)	-	187,340	329
Barb Butler Estate - Girl's Inc. Program	62,790	-	29,526
Gallagher Estate - Girl's Inc. Program	120,000	-	-
Land/Building Improvements - Pledges	213,957	-	148,285
BHACF - Counseling Center Services	19,458	-	26,081
Family Violence Prevention	-	-	2,551
Hearst Foundation - Middle School Program	99,051	-	6,949
Caremobile	23,850	-	-
BHACF - Summer Meals	17,958	-	40,804
Lintz Memorial (a)	-	54,293	5
Garden (a)	57,907	118,731	15,277
Girl's Inc Vehicle	7,605	-	-
Family Child Care	29,904	-	6,834
Healthy Marriages - Rapid-Cycle Learning	12,353	-	3,684
Child Development Center	5,328	-	178,359
Schumacher Memorial - No Program Restriction	-	1,700	-
Relief Crisis Care	5,944	-	256
Dental Health	10,000	-	-
Fullerton Farm - Garden Education	12,246	-	11,677
Holiday Gifts	2,933	-	180
Lakota Lands	1,700	-	-
	\$ 996,657	\$ 1,432,709	\$ 1,005,179

(a) Foundation net asset balances

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(5) Net Assets

	With Donor Restriction - Time/Purpose	With Donor Restriction - Perpetuity	Released Year Ended June 30, 2022
June 30, 2022			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ -
United Way - Program	158,299	-	47,927
Campaign Time Restriction (a)	23,954	-	264,146
Investment in Washburn Trust (a)	-	-	201,366
John Vucurevich Endowment (a)	-	408,824	-
Campaign 10-Year Donor Restriction (a)	2,422	-	-
No Program Restriction Endowment (a)	-	17,922	-
BHACF Endowment (a)	-	10,000	-
Campaign Endowment Fatherhood (a)	-	65,535	-
Fatherhood Project Reserves/Endowment (a)	75,649	25,000	21,289
Girls Inc. (a)	14,729	1,025	28,459
Lemley Funds Endowment Girls Inc. Program (a)	6,924	489,590	108,311
Rasmussen Trust Distribution - Program Restricted	26,742	-	30,546
Lemley Trust Distribution - Program Restricted	28,510	-	35,631
Campaign - No Program Restriction Endowment (a)	-	159,019	-
Barb Butler Estate - Girl's Inc. Program	63,264	-	18,783
Gallagher Estate - Girl's Inc. Program	120,000	-	-
Land/Building Improvements - Pledges	323,867	-	293,055
BHACF - Counseling Center Services	24,379	-	1,383
Hearst Foundation - M.S. Program	106,000	-	21,868
Caremobile	21,350	-	2,500
BHACF - Summer Meals	49,659	-	44,389
Garden	-	83,431	-
Girl's Inc Vehicle	7,605	-	-
Family Child Care	20,374	-	7,590
Healthy Marriages - Rapid-Cycle Learning	14,189	-	-
Child Development Center	46,694	-	136,993
Youth Trauma	-	-	15,000
Schumacher Memorial - No Program Restriction	-	1,700	-
	\$ 1,134,610	\$ 1,312,046	\$ 1,279,236

(a) Foundation net asset balances

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(5) Net Assets

Net assets without donor restrictions include the following at June 30:

	2023	2022
Property and Equipment, Net of Related Debt	\$ 4,643,821	\$ 4,674,492
General	11,051,150	10,759,827
<i>Board Designated:</i>		
East Adams Facilities and Operations	605,918	641,870
East Adams Facilities Expansion - Foundation	378,313	378,313
Endowment	183,603	146,518
Endowment - Foundation	100,000	100,000
Vehicle Repair	95,997	43,129
Emergency Childcare	35,946	-
Child Development Center Transportation	3,933	3,933
Building Repair	2,710	10,999
Kid's Fair	2,290	2,290
Family Violence Prevention	-	2,072
	\$ 17,103,681	\$ 16,763,443

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (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 net assets with donor restriction – restricted in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 net assets with donor restriction – restricted in perpetuity is classified as net assets with donor restriction – time or purpose 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.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(5) Net Assets

Endowed net assets consist of the following at June 30:

	Without Donor Restriction	With Donor Restriction - Time or Purpose	With Donor Restriction - In Perpetuity	Total
Endowment Net Assets - June 30, 2021	\$ 246,518	\$ 192,458	\$ 1,232,527	\$ 1,671,503
Investment Return	-	8,885	90,350	99,235
Appropriations for Expenditure	-	(118,770)	(10,831)	(129,601)
Endowment Net Assets - June 30, 2022	246,518	82,573	1,312,046	1,641,137
Investment Return	68,406	91,031	124,105	283,542
Appropriations for Expenditure	(31,321)	(52,335)	(3,442)	(87,098)
Endowment Net Assets - June 30, 2023	\$ 283,603	\$ 121,269	\$ 1,432,709	\$ 1,837,581

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. 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:

	2023	2022
Buildings	\$ 16,114,755	\$ 15,915,249
Buildings - Federal Reversionary Interest	1,627,534	1,330,212
Buildings - Foundation	126,919	126,919
Equipment and Vehicles- Federal Reversionary Interest	2,968,198	2,872,403
Equipment and Furnishings	842,336	779,350
Equipment and Furnishings - QALICB	300,495	300,495
Vehicles - Foundation	-	34,100
Vehicles	656,128	668,822
	22,636,365	22,027,550
Less Accumulated Depreciation	7,130,843	6,349,890
	15,505,522	15,677,660
Land	744,468	744,468
Land - QALICB	412,066	412,066
Land - Foundation	73,669	73,669
Construction in Progress *	88,314	98,672
	1,318,517	1,328,875
	\$ 16,824,039	\$ 17,006,535

* The construction in progress has commitments of approximately \$19,000 at June 30, 2023.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(7) Investments and Fair Value Measurements

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 fair value hierarchy 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 investments 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. The types of assets and liabilities included in Level Three require significant management judgment or estimation.

Level one investments are valued based on index performance on actively traded markets. Level two investments are valued at yields currently available on comparable securities of issuers with similar credit ratings.

The Organization's investments, as well as certain cash equivalents, are measured at fair value on a recurring basis. No other assets or liabilities are measured at fair value on a recurring or nonrecurring basis.

The Amounts Held by Black Hills Area Community Foundation (BHACF) has been valued, as a practical expedient, at the net asset value of the Organization's share of BHACF's investment pools as of the measurement date. As such, they are not included in the fair value hierarchy described above. BHACF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BHACF, which include private placements and other securities for which prices are not readily available, are determined by the management of BHACF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The amounts held by BHACF are not redeemable by the Organization.

Assets measured at fair value on a recurring basis by fair value hierarchy are as follows:

June 30, 2023	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 118,956	\$ -	\$ -	\$ -	\$ 118,956
Equities	2,181,847	-	-	-	2,181,847
Fixed Income	553,113	1,407,360	-	-	1,960,473
Investment in BHACF	-	-	-	17,352	17,352
Total Fair Value Investments	\$ 2,853,916	\$ 1,407,360	\$ -	\$ 17,352	\$ 4,278,628

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(7) Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis by fair value hierarchy are as follows:

June 30, 2022	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 72,526	\$ -	\$ -	\$ -	\$ 72,526
Equities	1,638,844	174,396	-	-	1,813,240
Fixed Income	462,133	1,524,949	-	-	1,987,082
Investment in BHACF	-	-	-	16,370	16,370
Total Fair Value Investments	\$ 2,173,503	\$ 1,699,345	\$ -	\$ 16,370	\$ 3,889,218

(8) New Market Tax Credit Financing and Long-Term Debt

During the year ended June 30, 2019, the Organization entered into financing arrangements with investors using new market tax credits (NMTC) financing to construct a new facility. The NMTC investors invested approximately \$4,500,000 into Youth & Family Services Investment Fund, LLC, operated by Wells Fargo (Investment Fund) in exchange for NMTC. YFS provided funding to the Investment Fund in the amount of \$8,646,417 in the form of a note receivable. The Investment Fund invested the funds in three separate community development entities (CDEs). The CDEs loaned to the QALICB substantially all the proceeds of the investments made in them by the Investment Fund in the aggregate amount of \$13,000,000 (less sponsor fees totaling \$345,000). The NMTC have a seven year compliance period.

The note receivable due from the Investment Fund requires quarterly interest payments at 1.14 percent through December 2025. Beginning in March 2026, quarterly principal and interest payments of \$131,360 will be made through maturity of March 31, 2044.

YFS entered into a base lease with the QALICB for the site of the new location, as well as a subsequent lease-back of the same property to YFS from the QALICB. These transactions are eliminated during consolidation.

The Organization has guaranteed the delivery of the tax credits to the investors. The Organization would be required to act under the guarantee if for any reason there was a disallowance of the new market tax credits. As part of this guarantee and the bank financing, the bank notes described above and disclosed below have a put option in the event of noncompliance with NMTC and at the end of the seven year compliance period. If the Investment Fund does not exercise the put option within 180 days of the end of the compliance period, the Organization can exercise a call option to purchase the Investment Fund's interest in the CDEs.

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(8) New Market Tax Credit Financing and Long-Term Debt

Long-term debt consists of the following at June 30:

	2023	2022
<i>YFS Long-Term Debt:</i>		
Paid in Full During 2023	\$ -	\$ 196,250
<i>QALICB Long-Term Debt:</i>		
Note payable to Wells Fargo Sub CDE, LLC Note A (a)	1,009,351	1,009,351
Note payable to Wells Fargo Sub CDE, LLC Note B (a)	490,649	490,649
Note payable to PCG Sub CDE, LLC Note A (a)	3,595,308	3,595,308
Note payable to PCG Sub CDE, LLC Note B (a)	1,739,692	1,739,692
Note payable to NCIF Sub CDE, LLC Note A (a)	4,041,758	4,041,758
Note payable to NCIF Sub CDE, LLC Note B (a)	1,778,242	1,778,241
	12,655,000	12,851,249
Less: Current Maturities	-	(117,992)
Less: Deferred Bond Issue Costs, Net of Accumulated Amortization	(474,782)	(519,206)
	\$ 12,180,218	\$ 12,214,051

(a) Loans mature December 2051, quarterly interest-only payments through March 2026 at 1.00 percent. Beginning in March 2026, level quarterly principal payments are due through loan maturity. Secured by leasehold mortgage, assignment of rents, first-priority perfected security interest, and fixture financing statement.

Maturities on long-term debt, including amortization of debt issuance costs, as of June 30, are as follows:

2024	\$ -
2025	-
2026	196,841
2027	413,721
2028	418,043
Thereafter	11,151,613
	\$ 12,180,218

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(9) Liquidity

Financial assets available for general expenditure, this is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 1,089,099	\$ 1,193,192
Government Grant Funds Receivable	1,136,905	1,024,536
Accounts Receivable	64,329	37,918
Investments	4,278,628	3,889,218
Promises to Give	290,558	436,238
Total Financial Assets	6,859,519	6,581,102
Less: Net Assets Without Donor Restriction - Board-Designated	1,408,710	1,329,124
Less: Net Assets With Time/Purpose Restrictions	996,657	1,134,610
Less: Net Assets With Perpetual Restrictions	1,432,709	1,312,046
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 3,021,443	\$ 2,805,322

As part of the liquidity management plan, management monitors cash flows and invests excess cash in money market accounts. Management and the Board of Directors actively monitor resources available. The Board may designate surplus funds for future use. In the event of unanticipated liquidity needs, key donors could be contacted for assistance, the Board could un-designate net assets, or the Organization could borrow additional funding.

(10) Refundable Advance and Unearned Revenue

Included in refundable advances and unearned revenue within the Consolidated Statements of Financial Position are program fees of \$28,252 and \$23,698, and grant funds advanced totaling \$-0- and \$110,974 for the years ended June 30, 2023 and 2022, respectively. The beginning unearned revenue at July 1, 2021 totaled \$15,581. All unearned amounts are recognized as revenue in the subsequent year.

(11) Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditional upon certain performance requirements and incurring qualifying expenses. As of June 30, 2023, conditional promises to give totaled approximately \$6,900,000 and are not recorded in the consolidated financial statements.

(12) In-Kind Contributions

Contributed nonfinancial assets, other than rent, include auction items for special events totaling \$31,535 and \$37,672 for the years ended June 30, 2023 and 2022, respectively. Donated auction items are auctioned to attendees of the annual fundraising dinner. The items are valued at the sale price received during the auction on the day of the event. Most donations are not donor restricted.

SINGLE AUDIT SECTION

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Assistance Listing Numbers	Grant Identifying Number	Amount
<i>U.S. Department of Agriculture:</i>			
Passed through the S.D. Department of Education:			
Child and Adult Care Food Program (CACFP)	10.558	N/A	\$ 1,107,329
CACFP Emergency Funds - COVID	10.558	N/A	328,399
<i>Child Nutrition Cluster (Note 3):</i>			
Summer Food Service Program for Children	10.559	N/A	82,288
Total U.S. Department of Agriculture			1,518,016
<i>U.S. Department of Justice:</i>			
Passed through the S.D. Department of Social Services:			
Crime Victim Assistance	16.575	N/A	93,656
Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies	16.888	2019-CY-AX-0011	144,644
Total U.S. Department of Justice			238,300
<i>U.S. Department of Education:</i>			
Passed through S.D. Department of Education:			
21st Century Community Learning Centers	84.287C	S287C190042	225,111
Total U.S. Department of Education			225,111
<i>U.S. Department of Housing and Urban Development:</i>			
Passed through the City of Rapid City:			
<i>Entitlement Grants Cluster:</i>			
Community Development Block Grant Entitlement Funds -COVID	14.218	N/A	113,149
Total U.S. Department of Housing and Urban Development			113,149

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Assistance Listing Numbers	Grant Identifying Number	Amount
<i>U.S. Department of Health and Human Services:</i>			
Direct Funding:			
<i>Head Start Cluster:</i>			
Head Start 0-5 and Early Head Start	93.600	N/A	6,760,349
Head Start CARES	93.600	N/A	522,808
Head Start 0-3 and Early Head Start Expansion	93.600	N/A	1,060,729
Total Head Start Cluster			8,343,886
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	1,061,083
American Rescue Plan Act (ARPA) COVID Stabilization	93.575	N/A	174,795
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	7,890
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7,676
Activities to Support State, Tribal, Local and Territorial (STLT)			
Health Department Response to Public Health or Healthcare Crises	93.391	N/A	89,158
Drug Free Communities (DFC) Support Program	93.276	N/A	130,660
Total			1,471,262
Total U.S. Department of Health and Human Services			9,815,148
Total			\$ 11,909,724

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2: The 10% de minimis indirect cost rate was not elected.

Note 3: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.



810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: info@ktllp.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Youth & Family Services, Inc.,
Youth & Family Services Foundation and
Youth & Family Services QALICB, Inc.
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Youth & Family Services, Inc. (YFS), Youth & Family Services Foundation (the Foundation), and Youth & Family Services QALICB, Inc. (the QALICB), collectively, the Organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as #2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as #2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Page Two

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KETEL THORSTENSON, LLP
Certified Public Accountants

November 20, 2023



810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: info@ktllp.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

Board of Directors
Youth & Family Services, Inc.,
Youth & Family Services Foundation and
Youth & Family Services QALICB, Inc.
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Youth & Family Services, Inc. (YFS), Youth & Family Services Foundation (the Foundation), and Youth & Family Services QALICB, Inc. (the QALICB), collectively, the Organization, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organizations' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item #2023-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Ketel Thorstenson, LLP". The signature is fluid and cursive, with the letters "K", "T", and "L" being particularly prominent.

KETEL THORSTENSON, LLP
Certified Public Accountants

November 20, 2023

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the consolidated financial statements.
2. One material weakness and one significant deficiency were disclosed during the audit of the consolidated financial statements and are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements were disclosed during the audit.
4. Findings disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award program for the Organization expresses an unmodified opinion on all major programs listed in #7.
6. Audit findings related to the major federal award program for the Organization are reported in Part C of this schedule.
7. The program tested as a major program was the Head Start Cluster – ALN #93.600.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Organization was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

#2023-001 FINDING: Financial Statement

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: The auditors were requested to draft the audited consolidated financial statements and related footnote disclosures, as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the Organization's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the Organization at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size.

Criteria and Effect: This deficiency could result in a material misstatement to the consolidated financial statements or SEFA that could have been prevented or detected by the Organization's management.

Repeat Finding from Prior Year: Yes, revision of prior year finding #2022-001.

Recommendation: We have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy. We have answered any questions they might have and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the Organization's statements. We are satisfied that the appropriate steps have been taken to provide the Organization with the completed consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: See Organization's Corrective Action Plan

**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES QALICB, INC.**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

SIGNIFICANT DEFICIENCY

#2023-002 FINDING: Audit and Schedule of Expenditures of Federal Awards (SEFA) Adjustments

Federal Programs Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: During the course of our engagement, we proposed audit and SEFA adjustments.

Criteria and Effect: These adjustments were not identified as a result of the Organization's existing internal controls, and therefore, could have resulted in a misstatement of the Organization's consolidated financial statements and SEFA or noncompliance with federal programs.

Repeat Finding from Prior Year: Yes, revision of prior year finding #2022-002.

Recommendation: We recommend the following:

- Review debt issuance costs annually for proper amortization.
- The SEFA is prepared by the Organization. Based on agreements with funding agencies, evaluate all grant funding to determine if such is properly reported on the SEFA.
- Purchases of property and equipment exceeding \$5,000 with a useful life greater than one year should be capitalized.

Views of Responsible Officials: See Organization's Corrective Action Plan

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAM AUDIT

#2023-003 FINDING: Equipment and Real Property Management

Federal Programs Affected: Head Start/ALN #93.600

Compliance Requirement: Equipment and Real Property Management

Questioned Costs: No known or likely questioned costs exceeding \$25,000.

Condition and Cause: The Organization did not have a process to ensure all federal equipment purchases were on the depreciation schedule.

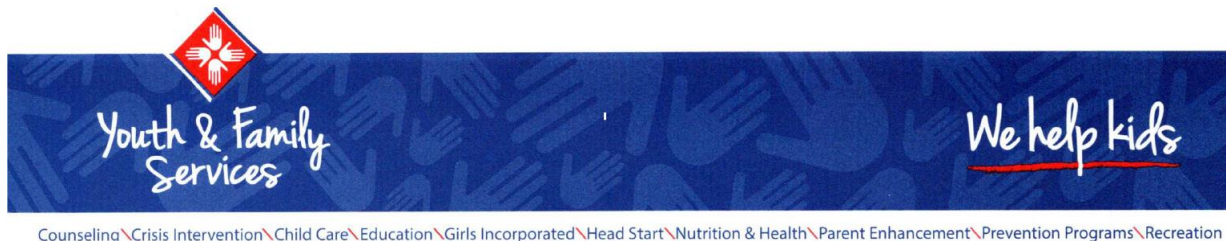
Criteria and Effect: Property records must be maintained for equipment acquired under a federal award.

Repeat Finding from Prior Year: N/A

Recommendation: Purchases of property and equipment exceeding \$5,000 with a useful life greater than one year should be capitalized and added to the depreciation schedule. Projects not yet completed at year-end should be added into construction in progress. For proper controls surrounding equipment and real property management, processes should be developed to ensure all federal property purchases are included in the depreciation schedule.

Views of Responsible Officials: See Organization's Corrective Action Plan

MANAGEMENT RESPONSE



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2023

Youth & Family Services, Inc. respectfully submits the following summary schedule of prior audit findings from the June 30, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

Finding No. 2022-001: Financial Statement Preparation

Status: It is more cost effective for the Organization to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure consolidated financial statements as a part of the annual audit process. The Organization has designated a member of management to review the draft consolidated financial statements and accompanying notes to the consolidated financial statements.

Initial Year Report: 2019

Reasons for Recurrence and Corrective Action Plan: As the Organization has accepted the risk associated with the auditor's preparing of the consolidated financial statements, it will be repeated in 2023, see Corrective Action Plan.

Finding No. 2022-002: Audit Adjustments and SEFA Adjustments

Status: The finding was revised in the current year.

Initial Year Report: 2020

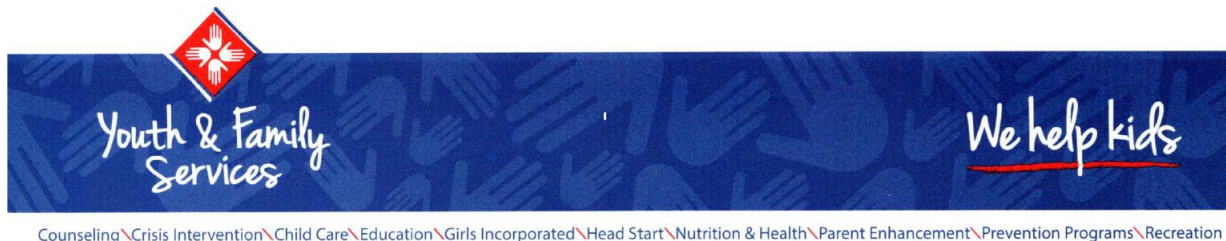
Reasons for Recurrence and Corrective Action Plan: The adjustments were not identified as a result of the Organization's existing internal controls. See Corrective Action Plan.

Finding No. 2022-003: Eligibility

Status: The finding is no longer applicable in the current year.

Initial Year Report: 2022

Reasons for Recurrence and Corrective Action Plan: N/A



CORRECTIVE ACTION PLAN JUNE 30, 2023

Youth & Family Services, Inc. respectfully submits the following corrective action plan regarding findings from the June 30, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2023 Schedule of Findings.

Finding No. 2023-001: Financial Statement

Responsible Individuals: Kari Williams, Chief Financial Officer

Corrective Action Plan: The Organization has accepted the risk associated with the finding regarding the preparation of the consolidated financial statements and will continue to have the independent auditor prepare the annual consolidated financial statements.

Anticipated Completion Date: Ongoing

Finding No. 2023-002: Audit and SEFA Adjustments

Responsible Individuals: Kari Williams, Chief Financial Officer

Corrective Action Plan: The Organization will review the adjusting entries and add notes to complete the entries as recommended. The Organization will also review entries throughout the year to ensure the recommendations are completed.

Anticipated Completion Date: Ongoing

Finding No. 2023-003: Equipment and Real Property Management

Responsible Individuals: Kari Williams, Chief Financial Officer

Corrective Action Plan: The Organization will ensure equipment acquired with Head Start funding is properly maintained on the depreciation schedule.

Anticipated Completion Date: Ongoing