



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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2017



Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **YOUTH & FAMILY SERVICES, INC.** (the Organization) and **YOUTH & FAMILY SERVICES FOUNDATION** (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization and the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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* on page 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Also, the Consolidating Statement of Financial Position, Consolidating Statement of Activities and Changes in Net Assets, and Consolidating Statement of Cash Flows on pages 16 through 19 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017 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 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 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 9, 2017

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)**

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016
Current Assets					
Cash and Cash Equivalents	\$ 242,515	\$ 892,713	\$ -	\$ 1,135,228	\$ 1,318,568
Inventory	10,670	-	-	10,670	15,554
Prepaid Expenses	26,078	-	-	26,078	8,086
Government Grant Funds Receivable	624,188	-	-	624,188	659,221
Accounts Receivable -- Fees and Other (Net of Allowance of \$17,003)	75,051	-	-	75,051	140,214
Promises to Give -- United Way	-	90,250	-	90,250	91,500
Promises to Give -- Portion Due Within One Year (Note 2)	-	1,301,765	-	1,301,765	244,171
Total Current Assets	978,502	2,284,728	-	3,263,230	2,477,314
Property and Equipment (Notes 5 and 6)	11,150,271	-	-	11,150,271	10,379,887
Less Accumulated Depreciation	4,543,616	-	-	4,543,616	4,242,370
Total Property and Equipment, Net	6,606,655	-	-	6,606,655	6,137,517
Other Assets					
Promises to Give -- Portion Due After One Year (Note 2)	-	851,895	-	851,895	485,897
Investments (Note 7)	1,749,841	578,713	1,172,908	3,501,462	2,866,968
Total Other Assets	1,749,841	1,430,608	1,172,908	4,353,357	3,352,865
TOTAL ASSETS	\$ 9,334,998	\$ 3,715,336	\$ 1,172,908	\$ 14,223,242	\$ 11,967,696
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 197,095	\$ -	\$ -	197,095	233,262
Accrued Personnel Expenses	869,006	-	-	869,006	836,684
Deferred Revenue	7,831	-	-	7,831	33,000
Total Current Liabilities	1,073,932	-	-	1,073,932	1,102,946
Commitment (Note 3)					
Net Assets (Note 5)					
Unrestricted:					
Property and Equipment	6,606,655	-	-	6,606,655	6,137,517
General	648,115	-	-	648,115	330,749
	7,254,770	-	-	7,254,770	6,468,266
Board Designated	1,006,296	-	-	1,006,296	963,273
Total Unrestricted	8,261,066	-	-	8,261,066	7,431,539
Temporarily Restricted	-	3,715,336	-	3,715,336	2,263,985
Permanently Restricted	-	-	1,172,908	1,172,908	1,169,226
Total Net Assets	8,261,066	3,715,336	1,172,908	13,149,310	10,864,750
TOTAL LIABILITIES AND NET ASSETS	\$ 9,334,998	\$ 3,715,336	\$ 1,172,908	\$ 14,223,242	\$ 11,967,696

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2016)**

Memorandum
Only (Note 1)
Total
2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	
Support and Revenues					
Contributions	\$ 341,910	\$ 2,070,416	\$ -	\$ 2,412,326	\$ 1,693,373
Memorials	370,800	323,492	-	694,292	289,789
Kid's Fair	112,489	-	-	112,489	109,336
Dinner Theatre	49,134	-	-	49,134	51,786
United Way	-	180,500	-	180,500	183,000
<i>Foundation and Corporate Grants:</i>					
Larson	-	-	-	-	35,000
Vucurevich Foundation	100,000	-	-	100,000	100,000
Bush Foundation	-	-	-	-	10,000
Wellmark Foundation	-	-	-	-	10,000
Gwendolyn Stearns Foundation	10,000	-	-	10,000	20,000
AT&T OpSmart Foundation	5,000	-	-	5,000	-
Made for Shade Foundation	5,000	-	-	5,000	-
South Dakota Community Foundation	-	10,000	-	10,000	-
Rasmussen Trust	-	32,500	-	32,500	33,500
Sheldon Reese	8,000	-	-	8,000	-
June Clark Trust	8,168	-	-	8,168	7,837
Washburn Trust	18,204	-	-	18,204	-
Distribution from Black Hills Community Foundation	6,803	-	-	6,803	5,537
Other	6,000	3,523	-	9,523	19,000
<i>Investment Income:</i>					
Royalties	2,326	-	-	2,326	2,218
Net Realized/Unrealized Gain (Loss) on Investments	151,874	41,364	24,478	217,716	(54,344)
Interest and Dividends	42,199	17,615	1,210	61,024	68,209
Government Grants	9,336,696	-	-	9,336,696	8,920,543
Membership Dues	29,655	-	-	29,655	31,070
Program Service Fees	1,500,255	-	-	1,500,255	1,520,322
Donated Rental Facilities (Note 4)	223,192	-	-	223,192	225,236
Miscellaneous	3,338	-	-	3,338	933
Gain on Sale of Property and Equipment	4,769	-	-	4,769	3,029
Net Assets Released from Restrictions (Note 5)	1,250,065	(1,228,059)	(22,006)	-	-
Total Support and Revenues	13,585,877	1,451,351	3,682	15,040,910	13,285,374
Expenses					
<i>Program Services:</i>					
Counseling Center	191,134	-	-	191,134	256,197
Prevention Resource Center	192,681	-	-	192,681	175,352
Other	10,824,263	-	-	10,824,263	10,280,571
Total Program Services	11,208,078	-	-	11,208,078	10,712,120
<i>Supporting Services:</i>					
Administrative	1,194,294	-	-	1,194,294	1,196,469
Fundraising	353,978	-	-	353,978	328,538
Total Supporting Services	1,548,272	-	-	1,548,272	1,525,007
Total Expenses	12,756,350	-	-	12,756,350	12,237,127
Increase (Decrease) in Net Assets	829,527	1,451,351	3,682	2,284,560	1,048,247
Net Assets -- Beginning of Year	7,431,539	2,263,985	1,169,226	10,864,750	9,816,503
Net Assets -- End of Year	\$ 8,261,066	\$ 3,715,336	\$ 1,172,908	\$ 13,149,310	\$ 10,864,750

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2016)**

Memorandum
Only (Note 1)

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>Total 2016</u>
Salaries	\$ 6,460,314	\$ 828,404	\$ 225,208	\$ 7,513,926	\$ 7,184,962
Fringe Benefits (Note 3)	803,935	100,825	27,203	931,963	838,329
Family Child Care Payments	799,358	-	-	799,358	861,514
Supplies	546,523	8,585	18,236	573,344	508,652
Payroll Taxes	474,560	60,853	16,543	551,956	530,842
Depreciation	346,146	7,117	156	353,419	344,017
Professional and Contracted Services	238,869	88,564	3,740	331,173	300,031
Rent (Note 4)	308,559	-	-	308,559	310,455
Food	275,596	-	-	275,596	286,706
Utilities	255,810	4,607	921	261,338	242,490
Travel and Conferences	152,346	18,063	199	170,608	210,540
Transportation	123,333	2,937	66	126,336	118,003
Insurance	107,896	14,614	968	123,478	110,648
Kid's Fair Expenses	50,543	11,001	8,737	70,281	67,686
Bad Debt Provision	20,296	-	49,413	69,709	54,587
Telephone	58,761	1,459	70	60,290	46,890
Repairs and Maintenance	56,126	1,911	316	58,353	76,303
Grant Specific Activities	47,445	-	-	47,445	16,838
Promotion	7,620	16,616	1,463	25,699	26,448
Excursions	25,021	-	-	25,021	22,498
Office Supplies and Postage	4,089	20,878	31	24,998	32,634
Dues and Subscriptions	20,137	1,939	708	22,784	21,843
Parent Activity	13,650	-	-	13,650	8,714
Miscellaneous	10,793	321	-	11,114	10,322
Property Tax	352	5,600	-	5,952	5,175
	\$ 11,208,078	\$ 1,194,294	\$ 353,978	\$ 12,756,350	\$ 12,237,127

The accompanying notes are an integral part of this statement.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 2,284,560	\$ 1,048,247
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash</i>		
<i>Flows Provided by Operating Activities:</i>		
Depreciation	353,419	344,017
Bad Debt Expense	69,709	54,587
Net Realized/Unrealized (Gain) Loss on Investments	(217,716)	54,344
Gain on Sale of Property and Equipment	(4,769)	(3,029)
Noncash Memorial - Investment in Washburn Trust	(317,416)	-
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Inventory	4,884	3,897
Prepaid Expenses	(17,992)	(2,485)
Government Grant Receivable	35,033	(140,648)
Accounts Receivable	44,867	(50,020)
Promises to Give	(1,473,005)	(584,424)
Promises to Give -- United Way	1,250	5,000
Accounts Payable	(36,167)	47,407
Accrued Personnel Expenses	32,322	122,578
Deferred Revenue	(25,169)	33,000
Net Cash Flows Provided by Operating Activities	733,810	932,471
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(822,557)	(255,208)
Proceeds from Sale of Property and Equipment	4,769	29,689
Purchases of Investments	(779,575)	(462,048)
Proceeds from Sale of Investments	680,213	431,665
Net Cash Flows Used in Investing Activities	(917,150)	(255,902)
Net Change in Cash and Cash Equivalents	(183,340)	676,569
Cash and Cash Equivalents -- Beginning of Year	1,318,568	641,999
Cash and Cash Equivalents -- End of Year	\$ 1,135,228	\$ 1,318,568
Supplemental Disclosure of Noncash Investing Activities:		
Purchases of Equipment Included In Accounts Payable	\$ -	215

The accompanying notes are an integral part of this statement.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017**

(1) Summary of Significant Accounting Policies

Operations

Youth & Family Services, Inc. (the Organization) operates various programs 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, trauma assessment and treatment through the Youth Trauma Center, case management and other services through the Intensive Family Support Program, relationship education for high school students and adults through the Stronger Family Program, and a health advocacy program for boys, ages 4-17; 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 nearly 830,000 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 Rural Prenatal to Five Head Start, a parent-focused early childhood education program 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 and alcohol abuse and violence prevention; and 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. The Organization is dependent on governmental grants to meet many of its program needs. For the year ended June 30, 2017, the Head Start grants comprised \$6,236,190 of government grant revenues. 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 the Organization. Its sole purpose is to provide funding for the programs and services of the Organization and ensure that Organization services provided to children and families continue uninterrupted.

Principles of Consolidation

The consolidated financial statements include the accounts of Youth & Family Services, Inc. and Youth & Family Services Foundation. The Foundation is consolidated into the financial statements of the Organization as the Organization has control and an economic interest in the Foundation. 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 has been included in the total for the Foundation.

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.

Method of Accounting

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(1) Summary of Significant Accounting Policies (Continued)

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.

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

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, are recognized in the Statement of Activities and Changes in Net Assets. Investment management fees totaling \$34,542 at June 30, 2017 are included as Professional and Contracted Services in the Consolidated Statement of Functional Expenses. Management's policy is to credit (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.

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.

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 Behavioral Health/Prevention Program counseling and prevention education contracts 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(1) Summary of Significant Accounting Policies (Continued)

Contributions, Memorials and Promises to Give

Unconditional contributions, memorials and promises to give are recorded in the period pledged 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. Amounts due after one year are recorded at their present value. Management has estimated an allowance for doubtful accounts based on their knowledge of current environmental conditions and historical losses. The Organization and the Foundation choose to show restricted contributions whose restrictions are met in the same reporting period as unrestricted.

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.

Federal Income Tax

The Organization and the Foundation (including Bright Futures, LLC) 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.

At June 30, 2017, the Organization and the Foundation believe no significant uncertain tax positions or liabilities exist.

Accounts Receivable

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. As of June 30, 2017, receivables totaling \$14,290 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 or after two years.

Subsequent Events

Management has assessed the Organization and Foundation for significant subsequent events through November 9, 2017, the date which the financial statements were available to be issued.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(1) Summary of Significant Accounting Policies (Continued)

Emerging Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization will be evaluating the impact implementation will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC *Topic 840, Leases (Topic 840)* and 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 standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to provide more useful information to financial statement users. Changes include: 1) presenting only two classes of net assets (with and without donor restrictions), 2) no longer requiring a reconciliation with the indirect method when choosing to utilize the direct method of cash flows, 3) reporting investment return net of expenses with no additional disclosure of expense amounts, and 4) eliminating the option to release donor-imposed restrictions of long-lived assets over the estimate useful life of the asset acquired. In addition, enhanced disclosures are required for board designated and donor restricted net assets, the entity's liquidity and how that liquidity is managed, expenses by both natural and functional classification, the allocation methods among program and support functions, and underwater endowment funds (which will now be classified as net assets with donor restrictions). The standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact this standard will have on the financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(1) Summary of Significant Accounting Policies (Concluded)

Comparative Financial Statement

The June 30, 2016, financial statements are captioned “Memorandum Only.” Such information is presented only to facilitate financial analysis. This data does not present the financial statements in conformity with accounting principles generally accepted in the United States of America. The individual net asset classification are not presented because of space limitations and to avoid cumbersome and confusing formats.

Beneficial Interest in Trust

The Foundation has unconditional rights to 20 percent of the distribution from the Washburn Trust. The Foundations is one of six beneficiaries of this trust. The Beneficial Interest in Washburn Trust is recorded at fair market value.

(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, board members, and several major donors that have a history of supporting the Organization.

Unconditional promises to give that are outstanding are as follows as of June 30, 2017:

Receivable in less than one year	\$ 1,301,765
Receivable in one to five years	921,156
Receivable over five years	59,114
Total unconditional promises to give	2,282,035
Less allowance for uncollectible promises to give	67,721
Total unconditional promises to give net of allowance	2,214,314
Less discounts to net present value (*)	60,654
Net Unconditional Promises to Give	2,153,660
Total Promises to Give	\$ 2,153,660

(*) Based on 1.41 % for pledges in 2010-2011, 1.03% for pledges in 2011-2012, 1.1% for pledges in 2012-2013, 1.55% for pledges in 2013-2014, 1.57% for pledges in 2014-2015, 1.31% for pledges in 2015-2016, 2.08% for pledges in 2016-2017.

(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 of 50 percent of the first 3 percent of the base compensation that a participant contributes to the plan are required under the terms of the plan document. The expense recognized related to the plan for the year ended June 30, 2017 is \$227,647.

(4) Leases

The Organization leases several buildings on a month to month basis at a cost below prevailing market rates. The Organization recorded the difference between the aggregate annual market value of the leases and the amount paid by the Organization of \$223,192 as Donated Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(5) Net Assets

Temporarily and permanently restricted net assets at June 30, 2017, include the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Released FY Ended June 30, 2017</u>
<i>Restricted Net Assets:</i>			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ 6,277
United Way	90,250	-	181,750
Foundation Campaign Time Restriction (Foundation)	50,906	-	57,133
Investment in Washburn Trust (Foundation)	317,416	-	6,076
Caremobile	-	-	4,950
John Vucurevich Endowment (Foundation)	-	408,824	-
Foundation Campaign 10-Year Donor Restriction (Foundation)	2,574	-	694
Foundation Campaign Land/Building Improvements (Foundation)	2,953,915	-	679,082
Foundation Campaign Child Development Center (Foundation)	575	-	-
Adams New Complex, Maintenance and Program (Foundation)	-	-	101,696
Girls Inc. Program Restricted (Foundation)	-	-	11,509
Foundation - No Program Restriction (Foundation)	-	17,922	-
Foundation Campaign Endowment Fatherhood (Foundation)	-	65,535	(82)
Fatherhood Project Reserves/Endowment (Foundation)	51,043	25,000	1,183
Foundation Campaign Reserves/Endowment Girls Inc. (Foundation)	-	1,025	-
Boys Health Program (Foundation)	-	-	120
Nutrition Program Restricted (Foundation)	2,500	-	-
Lemley Funds Endowment Girls Inc. Restricted (Foundation)	12,319	467,434	29,221
Rasmussen Trust Distribution	15,971	-	34,902
Lemley Trust Distribution	8,605	-	8,450
Foundation Campaign - No Program Restriction (Foundation)	-	137,168	-
Foundation Campaign - Rural Programming (Foundation)	1,000	-	-
Barb Butler Estate - Girls Inc Program Restricted	189,789	-	23,826
Larson Family Foundation	-	-	29,167
Wellmark Foundation	-	-	8,583
Izaak Walton Foundation	2,406	-	3,094
Dollar General Literacy Foundation	486	-	3,514
Whole Kids Foundation	306	-	2,194
Holiday Gifts/Family Needs	-	-	11,960
East Adams Garden Funds (Foundation)	1,760	-	-
SD Community Foundation	8,557	-	1,443
Share Our Strength	1,523	-	-
Child and Adult Care Food Program	3,435	-	4,047
Youth Trauma	-	-	39,276
	\$ 3,715,336	\$ 1,172,908	\$ 1,250,065

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(5) Net Assets (Continued)

Unrestricted net assets at June 30, 2017 include the following:

Property and Equipment	\$ 6,606,655
General	648,115
<i>Board Designated:</i>	
East Adams Facilities and Operations	724,534
Endowment	134,245
Endowment - Foundation	100,000
Kid's Fair	7,677
Emergency Child Care Funds	18,565
Child Development Center Transportation	21,275
	\$ 8,261,066

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, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - June 30, 2016	\$ 220,188	\$ 45,007	\$ 1,169,226	\$ 1,434,421
Investment Income	15,679	26,471	25,688	67,838
Contributions	-	200	-	200
Appropriation for Expenditure	(1,622)	(8,316)	(22,006)	(31,944)
Endowment Net Assets - June 30, 2017	\$ 234,245	\$ 63,362	\$ 1,172,908	\$ 1,470,515

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

(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, 2017:

Buildings	\$ 5,283,102
Buildings - Federal Reversionary Interest	1,086,872
Buildings - Foundation	65,343
Equipment and Vehicles -- Federal Reversionary Interest	1,647,040
Equipment and Furnishings	503,932
Vehicles	673,076
	<hr/> 9,259,365
Less Accumulated Depreciation	4,543,616
	<hr/> 4,715,749
Buildings - East Adams New Complex Work in Progress	700,710
Land	1,156,534
Land - Foundation	33,662
	<hr/> 1,890,906
	<hr/> \$ 6,606,655 <hr/>

(7) 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2017**

(7) Fair Value (Continued)

The following table presents the assets carried at fair value as of June 30, 2017 on the accompanying Consolidated 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 fixed income securities and money market accounts. Fixed income securities are comprised of various types of bonds and mutual funds valued at either the yields currently available on comparable securities of issuers with similar credit ratings or valued under a discounted cash flow approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable such as credit and liquidity risks. Money market accounts are valued at an exit price of \$1 per share. Investment real estate totaling \$220,000 is valued at cost as of June 30, 2017. The fair value of the beneficial interest is estimated using the fair value of the assets held in the trust reported by the trustee. The Washburn Trust includes interests in an LLC and partnership with underlying assets of notes receivable and a building. The estimated fair value of the trust 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 could have been used had a ready market existed for these investments. The beneficial interest in the Washburn Trust are not redeemable by the Foundation.

	Level One	Level Two	Level Three	Total
Money Market Funds	\$ -	\$ 239,496	\$ -	\$ 239,496
<i>Stocks:</i>				
Emerging Markets	86,919	-	-	86,919
Large Cap	1,214,574	-	-	1,214,574
Mid Cap	122,507	-	-	122,507
Other	551,809	-	-	551,809
<i>Fixed Income Securities:</i>				
Short/Intermediate Corporate	-	259,787	-	259,787
US Taxable	-	303,164	-	303,164
High Yield	-	5,816	-	5,816
Other	-	179,974	-	179,974
Beneficial Interest in Washburn Trust	-	-	317,416	317,416
Total Fair Value Investments	\$ 1,975,809	\$ 988,237	\$ 317,416	\$ 3,281,462

Balances included in investments on accompanying statement of financial position, recorded at cost:

Land - John Vucurevich Endowment	160,000
Land	60,000
Total Investments	\$ 3,501,462

The following table represents a reconciliation of the activities for Level 3 financial instruments, which are temporarily restricted net assets:

Balance – June 30, 2016	\$ -
Contribution from Washburn Trust	323,492
Distributions	(6,076)
Balance – June 30, 2017	\$ 317,416

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

<u>ASSETS</u>	Youth & Family Services	YFS Foundation	Eliminations	<u>Total</u>
Current Assets				
Cash and Cash Equivalents	\$ 275,144	\$ 860,084	\$ -	\$ 1,135,228
Inventory	10,670	-	-	10,670
Prepaid Expenses	26,078	-	-	26,078
Government Grant Funds Receivable	624,188	-	-	624,188
Accounts Receivable -- Fees and Other (Net of Allowance of \$17,003)	75,051	-	-	75,051
Promises to Give -- United Way	90,250	-	-	90,250
Promises to Give -- Portion Due Within One Year	-	1,301,765	-	1,301,765
Total Current Assets	1,101,381	2,161,849	-	3,263,230
Property and Equipment	11,051,267	99,004	-	11,150,271
Less Accumulated Depreciation	4,541,636	1,980	-	4,543,616
Total Property and Equipment, Net	6,509,631	97,024	-	6,606,655
Other Assets				
Promises to Give -- Portion Due After One Year	-	851,895	-	851,895
Investments	1,176,277	2,325,185	-	3,501,462
Total Other Assets	1,176,277	3,177,080	-	4,353,357
TOTAL ASSETS	\$ 8,787,289	\$ 5,435,953	\$ -	\$ 14,223,242
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 191,716	\$ 5,379	\$ -	\$ 197,095
Accrued Personnel Expenses	869,006	-	-	869,006
Deferred Revenue	7,831	-	-	7,831
Total Current Liabilities	1,068,553	5,379	-	1,073,932
Net Assets				
Unrestricted:				
Property and Equipment	6,509,631	97,024	-	6,606,655
General	(68,519)	716,634	-	648,115
	6,441,112	813,658	-	7,254,770
Board Designated	906,296	100,000	-	1,006,296
Total Unrestricted	7,347,408	913,658	-	8,261,066
Temporarily Restricted	321,328	3,394,008	-	3,715,336
Permanently Restricted	50,000	1,122,908	-	1,172,908
Total Net Assets	7,718,736	5,430,574	-	13,149,310
TOTAL LIABILITIES AND NET ASSETS	\$ 8,787,289	\$ 5,435,953	\$ -	\$ 14,223,242

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Youth and Family Services</u>	<u>YFS Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 398,190	\$ 2,014,136	\$ -	\$ 2,412,326
Memorials	370,800	323,492	-	694,292
Kid's Fair	112,489	-	-	112,489
Dinner Theatre	49,134	-	-	49,134
United Way	180,500	-	-	180,500
Dr. Lemley Trust Funds	23,145	-	(23,145)	-
<i>Foundation and Corporate Grants:</i>				
Vucurevich Foundation	100,000	-	-	100,000
Gwendolyn Stearns Foundation	10,000	-	-	10,000
AT&T OpSmart Foundation	5,000	-	-	5,000
Made for Shade Foundation	5,000	-	-	5,000
South Dakota Community Foundation	10,000	-	-	10,000
Rasmussen Trust	32,500	-	-	32,500
Sheldon Reese	8,000	-	-	8,000
June Clark Trust	8,168	-	-	8,168
Washburn Trust	-	18,204	-	18,204
Distribution from Black Hills Community Foundation	-	6,803	-	6,803
Other	9,523	-	-	9,523
<i>Investment Income:</i>				
Royalties	2,326	-	-	2,326
Net Realized/Unrealized Gain on Investments	121,635	96,081	-	217,716
Interest and Dividends	22,263	38,761	-	61,024
Donation Income from Foundation	644,527	-	(644,527)	-
Government Grants	9,336,696	-	-	9,336,696
Membership Dues	29,655	-	-	29,655
Program Service Fees	1,500,255	-	-	1,500,255
Donated Rental Facilities	223,192	-	-	223,192
Donation Income from YFS, Inc. (Washburn Estate)	-	370,800	(370,800)	-
Miscellaneous	3,338	2,101	(2,101)	3,338
Gain on Sale of Property and Equipment	4,769	-	-	4,769
Contract Service Fees	82,087	-	(82,087)	-
Total Support and Revenues	13,293,192	2,870,378	(1,122,660)	15,040,910

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Youth and</u>	<u>YFS</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Family Services</u>	<u>Foundation</u>		
Expenses				
Salaries	\$ 7,513,926	\$ -	\$ -	\$ 7,513,926
Family Child Care Payments	799,358	-	-	799,358
Fringe Benefits	931,963	-	-	931,963
Payroll Taxes	551,956	-	-	551,956
Supplies	573,344	-	-	573,344
Depreciation	351,439	1,980	-	353,419
Rent	310,660	-	(2,101)	308,559
Professional and Contracted Services	304,553	108,707	(82,087)	331,173
Food	275,596	-	-	275,596
Utilities	260,316	1,022	-	261,338
Travel and Conferences	170,608	-	-	170,608
Transportation	126,336	-	-	126,336
Insurance	120,580	2,898	-	123,478
Repairs and Maintenance	58,285	68	-	58,353
Kid's Fair Expenses	70,281	-	-	70,281
Bad Debt Provision	20,296	49,413	-	69,709
Telephone	60,290	-	-	60,290
Office Supplies & Postage	24,949	49	-	24,998
Promotion	24,236	1,463	-	25,699
Excursions	25,021	-	-	25,021
Dues and Subscriptions	22,784	-	-	22,784
Grant Specific Activities	47,445	-	-	47,445
Miscellaneous	11,104	10	-	11,114
Parent Activity	13,650	-	-	13,650
Property Tax	-	5,952	-	5,952
Donation Expense to Foundation (Washburn Estate)	370,800	-	(370,800)	-
Donation Expense to YFS, Inc.	-	667,672	(667,672)	-
Total Expenses	13,039,776	839,234	(1,122,660)	12,756,350
Increase in Net Assets	253,416	2,031,144	-	2,284,560
Net Assets -- Beginning of Year	7,465,320	3,399,430	-	10,864,750
Net Assets -- End of Year	\$ 7,718,736	\$ 5,430,574	\$ -	\$ 13,149,310

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Youth and Family Services</u>	<u>YFS Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities				
Increase in Net Assets	\$ 253,416	\$ 2,031,144	\$ -	\$ 2,284,560
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Flows Provided by Operating Activities</i>				
Depreciation	351,439	1,980	-	353,419
Bad Debt Expense	20,296	49,413	-	69,709
Net Realized/Unrealized Gain on Investments	(121,635)	(96,081)	-	(217,716)
Gain on Sale of Property and Equipment	(4,769)	-	-	(4,769)
Noncash Memorial - Investment in Washburn Trust	-	(317,416)	-	(317,416)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>				
Inventory	4,884	-	-	4,884
Prepaid Expenses	(17,992)	-	-	(17,992)
Government Grant Receivable	35,033	-	-	35,033
Accounts Receivable	44,867	-	-	44,867
Promises to Give	-	(1,473,005)	-	(1,473,005)
Promises to Give - United Way	1,250	-	-	1,250
Accounts Payable	(36,047)	(120)	-	(36,167)
Accrued Personnel Expenses	32,322	-	-	32,322
Deferred Revenue	(25,169)	-	-	(25,169)
Net Cash Flows Provided by Operating Activities	537,895	195,915	-	733,810
Cash Flows from Investing Activities				
Purchases of Property and Equipment	(723,552)	(99,005)	-	(822,557)
Proceeds from Sale of Property and Equipment	4,769	-	-	4,769
Purchases of Investments	(354,383)	(425,192)	-	(779,575)
Proceeds from Sale of Investments	477,264	202,949	-	680,213
Net Cash Flows Used in Investing Activities	(595,902)	(321,248)	-	(917,150)
Net Change in Cash and Cash Equivalents	(58,007)	(125,333)	-	(183,340)
Cash and Cash Equivalents -- Beginning of Year	333,151	985,417	-	1,318,568
Cash and Cash Equivalents -- End of Year	\$ 275,144	\$ 860,084	\$ -	\$ 1,135,228

FEDERAL GRANT REPORTS

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Accrued Revenue at 6/30/2016</u>	<u>Program Expenditures</u>	<u>Program Receipts</u>	<u>Accrued Revenue at 6/30/2017</u>
<u>Department of Agriculture</u>							
<i>Pass Through Funding:</i>							
Child and Adult Care Food Program (Note 1)	SD Department of Education	10.558	5140500	\$ 106,052	\$ 1,362,784	\$ 1,366,945	\$ 101,891
Summer Food Service Program for Children (Note 1)	SD Department of Education	10.559	5140500	25,220	112,700	124,880	13,040
Total -- Department of Agriculture				131,272	1,475,484	1,491,825	114,931
<u>Department of Health and Human Services</u>							
<i>Pass Through Funding:</i>							
Child Care and Development Block Grant	SD Department of Social Services	93.575	17-0843-615	-	1,541	1,541	-
<u>Department of Justice</u>							
<i>Pass Through Funding:</i>							
Crime Victim Assistance	SD Department of Social Services	16.575	15-0832-675 16-0832-676	713	40,256	34,984	5,985
<u>Department of Education</u>							
<i>Pass Through Funding:</i>							
21st Century Grant	SD Department of Education	84.287C	16-21-138	20,004	150,000	156,438	13,566
<u>Department of Health and Human Services</u>							
<i>Direct Funding:</i>							
Head Start 0-5	N/A	93.600		\$ 344,363	\$ 5,388,770	\$ 5,385,091	\$ 348,042
Early Head Start Expansion	N/A	93.600		49,087	847,420	866,204	30,303
Total Head Start Cluster				393,450	6,236,190	6,251,295	378,345
YFS Healthy Marriage and Relationship Education Project	N/A	93.086		51,497	790,820	785,148	57,169
YFS Youth Trauma Center	N/A	93.243		40,700	408,214	416,399	32,515
Healthy Tomorrows Partnership for Children Program	N/A	93.110		-	7,412	5,624	1,788
Total -- Department of Health and Human Services				485,647	7,442,636	7,458,466	469,817
TOTAL				\$ 637,636	\$ 9,109,917	\$ 9,143,254	\$ 604,299

This schedule is presented on the accrual basis of accounting.

Note 1: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

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

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements.
2. No findings were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No findings were disclosed during the audit of the major federal award program and none are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. No audit findings relative 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 U.S. Department of Health and Human Services Head Start Cluster – CFDA #93.600.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.



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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

To the Board of Directors
Youth & Family Services, Inc. and
Youth & Family Services Foundation
Rapid City, SD

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.** (the Organization) and **YOUTH & FAMILY SERVICES FOUNDATION** (the Foundation) which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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*.

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.

A handwritten signature in dark ink that reads "Ketel Thorstenson, LLP". The signature is written in a cursive, flowing style.

KETEL THORSTENSON, LLP
Certified Public Accountants

November 9, 2017



Ketel Thorstenson, LLP

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

To the Board of Directors
Youth & Family Services, Inc. and
Youth & Family Services Foundation
Rapid City, SD

Report on Compliance for Each Major Federal Program

We have audited the **YOUTH & FAMILY SERVICES, INC.** (the Organization) and **YOUTH & FAMILY SERVICES FOUNDATION** (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2017. The Organization's major federal program was identified in the summary of auditor's results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that reads "Ketel Thorstenson, LLP". The signature is written in a cursive, flowing style.

KETEL THORSTENSON, LLP
Certified Public Accountants

November 9, 2017

HEAD START FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of **YOUTH & FAMILY SERVICES, INC.** (the Organization) and **YOUTH & FAMILY SERVICES FOUNDATION** (the Foundation) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 9, 2017, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Statement of Revenue and Expenditures for the Head Start Program for twelve months ended February 28, 2017 and the Statement of Revenue and Expenditures for the Early Head Start Expansion Program for the twelve months ended June 30, 2017, relating to the 2017 consolidated financial statements, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in dark ink that reads "Ketel Thorstenson, LLP". The signature is fluid and cursive.

KETEL THORSTENSON, LLP
Certified Public Accountants

November 9, 2017

**YOUTH & FAMILY SERVICES, INC. AND
YOUTH & FAMILY SERVICES FOUNDATION
HEAD START AND EARLY HEAD START PROGRAMS GRANT NO. 08CH1076/03**

**UNAUDITED STATEMENT OF REVENUE AND EXPENDITURES
FOR THE TWELVE MONTHS ENDING FEBRUARY 28, 2017
PROJECT PERIOD JULY 1, 2014 - JUNE 30, 2019**

March 1, 2016 to February 28, 2017

	----- Head Start -----		-- Early Head Start --		
	Grant	Grant	Grant	Grant	
	<u>CAN 4122</u>	<u>CAN 4120</u>	<u>CAN 4125</u>	<u>CAN 4121</u>	<u>Total</u>
Revenue (Note 1)					
Grant	\$ 3,321,672	\$ 42,597	\$ 1,993,511	\$ 48,514	\$ 5,406,294
Expenditures (Notes 1 and 2)					
Personnel	2,005,191	-	1,111,853	-	3,117,044
Fringe Benefits	414,300	-	218,794	-	633,094
Travel	-	18,742	-	18,470	37,212
Equipment	8,375	-	3,543	-	11,918
Supplies	199,214	-	122,176	-	321,390
Contractual	479,414	-	417,409	-	896,823
Other	215,178	23,855	119,736	30,044	388,813
Total Expenditures	3,321,672	42,597	1,993,511	48,514	5,406,294
Unspent Federal Funds -- February 28, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

Note 1: The Program uses a modified accrual basis of accounting for purposes of this special report as permitted by the U.S. Department of Health and Human Services. Grant revenue is reported as income as eligible expenditures are incurred. Expenditures are recognized when the liability is incurred with the exception of the following: (1) encumbrances for purchase orders or commitments for expenditures are recorded as expenses when incurred (none recognized during the year) and (2) equipment purchased is expensed in the year acquired.

Note 2: These expenditures represent only the federal share. The grantee's minimum matching contributions for these grants is \$1,351,574.

Actual matching contributions were in excess of the minimum required match for CAN 4120, CAN 4121, CAN 4122, and CAN 4125 (minimum required match – 20% of total project costs).

**YOUTH & FAMILY SERVICES, INC. AND
YOUTH & FAMILY SERVICES FOUNDATION
EARLY HEAD START EXPANSION PROGRAMS GRANT NO. 08HP0006/02**

**UNAUDITED STATEMENT OF REVENUE AND EXPENDITURES
FOR THE TWELVE MONTHS ENDING JUNE 30, 2017
PROJECT PERIOD JANUARY 1, 2015 - JUNE 30, 2019**

	<u>July 1, 2016 to June 30, 2017</u>		
	-- Early Head Start Expansion --		
	Grant	Grant	
	<u>CAN 3121</u>	<u>CAN 3128</u>	<u>Total</u>
Revenue (Note 1)			
Grant	\$ 21,908	\$ 892,090	\$ 913,998
Expenditures (Notes 1 and 2)			
Personnel	-	170,256	170,256
Fringe Benefits	-	34,399	34,399
Travel	9,793	-	9,793
Equipment	-	-	-
Supplies	-	31,330	31,330
Contractual	-	585,013	585,013
Other	10,582	6,047	16,629
Total Expenditures	20,375	827,045	847,420
Unspent Federal Funds -- June 30, 2017	\$ 1,533	\$ 65,045	\$ 66,578

Note 1: The Program uses a modified accrual basis of accounting for purposes of this special report as permitted by the U.S. Department of Health and Human Services. Grant revenue is reported as income as eligible expenditures are incurred. Expenditures are recognized when the liability is incurred with the exception of the following: (1) encumbrances for purchase orders or commitments for expenditures are recorded as expenses when incurred (none recognized during the year) and (2) equipment purchased is expensed in the year acquired.

Note 2: These expenditures represent only the federal share. The grantee's minimum matching contributions for these grants is \$211,855.

Actual matching contributions were in excess of the minimum required match for CAN 3121, and CAN 3128 (minimum required match – 20% of total project costs).