

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021 AND 2020**



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

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

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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 Financial Statements

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, 2021 and 2020, 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.

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 audits. 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. Those standards require that we plan and perform the audits 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 YFS, the Foundation, and the QALICB as of June 30, 2021 and 2020, 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.

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 pages 35 to 36 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 28 through 33 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 December 2, 2021 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

December 2, 2021

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,342,731	\$ 1,996,445
Restricted Cash	447,564	756,867
Inventory	15,147	27,197
Prepaid Expenses	11,445	8,810
Government Grant Funds Receivable	1,359,248	1,225,518
Accounts Receivable - Fees and Other, Net of Allowance of \$19,023 and \$21,756 at June 30, 2021 and 2020, Respectively	92,592	60,871
Promises to Give -- United Way	47,927	75,947
Promises to Give -- Current (Notes 2 and 8)	238,996	288,255
Total Current Assets	3,555,650	4,439,910
Property and Equipment (Notes 5, 6 and 8)		
	23,369,301	22,147,539
Less Accumulated Depreciation	5,789,745	5,075,173
Total Property and Equipment, Net	17,579,556	17,072,366
Other Assets		
Promises to Give, Net of Current Portion, Allowance and Discount (Notes 2 and 8)	368,563	440,879
Investments (Note 7)	4,536,683	3,693,878
Note Receivable (Note 8)	8,646,417	8,646,417
Total Other Assets	13,551,663	12,781,174
TOTAL ASSETS	\$ 34,686,869	\$ 34,293,450

The accompanying notes are an intergral part of these statements.

LIABILITIES AND NET ASSETS**Current Liabilities**

Current Maturities of Long-Term Debt (Note 8)	\$	135,259	\$	1,934,441
Accounts Payable		764,321		532,905
Accrued Personnel Expenses		991,634		1,030,276
Refundable Advance and Unearned Revenue (Note 10)		15,581		117,449
Total Current Liabilities		1,906,795		3,615,071

Long-Term Debt , Net of Current Maturities (Note 8)		12,550,615		13,185,629
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Commitments (Notes 3, 4 and 8)**Net Assets** (Note 5)*Without Donor Restriction*

Property and Equipment		4,893,682		1,952,296
General		11,431,811		11,636,298
Board Designated		1,278,742		1,278,742
Total Without Donor Restriction		17,604,235		14,867,336
With Donor Restrictions - Time or Purpose		1,392,697		1,404,488
With Donor Restrictions - Perpetual		1,232,527		1,220,926
Total With Donor Restrictions		2,625,224		2,625,414
Total Net Assets		20,229,459		17,492,750

TOTAL LIABILITIES AND NET ASSETS	\$	34,686,869	\$	34,293,450
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**YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES OALICB, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 12,048,842	\$ -	\$ -	\$ 12,048,842
Gain on Paycheck Protection Program Loan (Note 8)	1,215,559	-	-	1,215,559
<i>Investment Return</i> (Note 7):				
Net Realized/Unrealized Gain on Investments	301,437	638,418	(2,863)	936,992
Interest and Dividends	124,039	26,735	14,464	165,238
Distribution from Black Hills Community Foundation	18,353	-	-	18,353
Capital Gains	2,769	8,443	-	11,212
Royalties	2,231	-	-	2,231
Brokerage Fees	(8,957)	(19,159)	-	(28,116)
Contributions	733,011	221,926	-	954,937
Program Service Fees	948,455	-	-	948,455
Donated Rental Facilities (Note 4)	196,093	-	-	196,093
Miscellaneous	71,755	-	-	71,755
Kid's Fair	70,833	-	-	70,833
Dinner Theatre	44,307	-	-	44,307
Membership Dues	27,070	-	-	27,070
Rental Income	18,298	-	-	18,298
Memorials	3,293	-	-	3,293
Net Assets Released from Restrictions (Note 5)	888,154	(888,154)	-	-
Total Support and Revenues	16,705,542	(11,791)	11,601	16,705,352
Expenses (Notes 3 and 4)				
Program Services	12,296,977	-	-	12,296,977
<i>Supporting Services</i>				
Administrative	1,344,949	-	-	1,344,949
Fundraising	326,717	-	-	326,717
Total Expenses	13,968,643	-	-	13,968,643
Increase (Decrease) in Net Assets	2,736,899	(11,791)	11,601	2,736,709
Net Assets - Beginning	14,867,336	1,404,488	1,220,926	17,492,750
Net Assets - Ending	\$ 17,604,235	\$ 1,392,697	\$ 1,232,527	\$ 20,229,459

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 12,260,909	\$ -	\$ -	\$ 12,260,909
<i>Investment Return</i> (Note 7):				
Net Realized/Unrealized Gain on Investments	10,813	13,591	(5,052)	19,352
Interest and Dividends	127,446	46,414	2,255	176,115
Distribution from Black Hills Community Foundation	13,602	-	-	13,602
Capital Gains	15	11,266	-	11,281
Royalties	2,332	-	-	2,332
Brokerage Fees	(7,359)	(16,843)	-	(24,202)
Contributions	166,194	726,592	6,000	898,786
Program Service Fees	1,108,095	-	-	1,108,095
Donated Rental Facilities (Note 4)	209,191	-	-	209,191
Miscellaneous	11,649	-	-	11,649
Kid's Fair	11,500	-	-	11,500
Dinner Theatre	49,527	-	-	49,527
Membership Dues	26,694	-	-	26,694
Rental Income	17,397	-	-	17,397
Memorials	120,000	-	1,700	121,700
Contract Service Fees	51,800	-	-	51,800
Gain on Sale of Land Held for Investment	(114,741)	-	-	(114,741)
Net Assets Released from Restrictions (Note 5)	1,113,117	(1,113,117)	-	-
Total Support and Revenues	15,178,181	(332,097)	4,903	14,850,987
Expenses (Notes 3 and 4)				
Program Services	12,090,841	-	-	12,090,841
<i>Supporting Services</i>				
Administrative	1,610,575	-	-	1,610,575
Fundraising	294,180	-	-	294,180
Total Expenses	13,995,596	-	-	13,995,596
Increase (Decrease) in Net Assets	1,182,585	(332,097)	4,903	855,391
Net Assets - Beginning	13,684,751	1,736,585	1,216,023	16,637,359
Net Assets - Ending	\$ 14,867,336	\$ 1,404,488	\$ 1,220,926	\$ 17,492,750

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, 2021**

	Program	Administrative	Fundraising	Total
Salaries	\$ 6,652,028	\$ 823,386	\$ 255,907	\$ 7,731,321
Supplies	912,222	9,233	14,138	935,593
Fringe Benefits (Note 3)	773,477	95,741	29,756	898,974
Depreciation	745,588	15,844	305	761,737
Family Child Care Payments	711,427	-	-	711,427
Professional and Contracted Services	520,763	64,416	406	585,585
Payroll Taxes	484,772	60,005	18,649	563,426
Food	327,984	-	-	327,984
Rent (Note 4)	231,584	-	-	231,584
Utilities	224,423	1,679	548	226,650
Interest	-	195,160	-	195,160
Insurance	164,785	10,855	-	175,640
Travel and Conferences	125,154	15,082	48	140,284
Promotion	102,138	22,177	-	124,315
Repairs and Maintenance	120,780	585	188	121,553
Telephone	63,034	944	268	64,246
Transportation	53,864	2,332	310	56,506
Office Supplies and Postage	11,526	26,916	-	38,442
Other	31,069	-	-	31,069
Dues and Subscriptions	22,080	594	4	22,678
Excursions	8,593	-	-	8,593
Miscellaneous	7,775	-	-	7,775
Bad Debt	(115)	-	6,190	6,075
Parent Activity	2,026	-	-	2,026
Total Expenses	\$ 12,296,977	\$ 1,344,949	\$ 326,717	\$ 13,968,643

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, 2020**

	Program	Administrative	Fundraising	Total
Salaries	\$ 6,665,014	\$ 1,097,250	\$ 229,360	\$ 7,991,624
Supplies	863,027	9,233	14,138	886,398
Fringe Benefits (Note 3)	747,782	123,106	25,733	896,621
Depreciation	522,861	11,111	214	534,186
Family Child Care Payments	615,124	-	-	615,124
Professional and Contracted Services	483,702	64,416	406	548,524
Payroll Taxes	487,404	80,240	16,773	584,417
Food	462,949	-	-	462,949
Rent (Note 4)	271,895	-	-	271,895
Utilities	208,082	1,679	548	210,309
Interest	-	144,055	-	144,055
Insurance	173,672	10,855	-	184,527
Travel and Conferences	150,483	15,082	48	165,613
Promotion	53,458	22,177	-	75,635
Repairs and Maintenance	164,302	585	188	165,075
Telephone	63,991	944	268	65,203
Transportation	67,777	2,332	310	70,419
Office Supplies and Postage	6,289	26,916	-	33,205
Other	30,315	-	-	30,315
Dues and Subscriptions	22,940	594	4	23,538
Excursions	5,050	-	-	5,050
Miscellaneous	9,544	-	-	9,544
Bad Debt	9,344	-	6,190	15,534
Parent Activity	5,836	-	-	5,836
Total Expenses	\$ 12,090,841	\$ 1,610,575	\$ 294,180	\$ 13,995,596

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 2,736,709	\$ 855,391
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	761,737	534,186
Bad Debt Provision	6,075	15,534
Net Realized/Unrealized Gain on Investments	(936,992)	(19,352)
Amortization of Deferred Debt Issuance Costs, Net	25,324	25,644
Loss on Disposal of Equipment	-	114,741
Paycheck Protection Program		
Gain on Extinguishment of Debt	(1,215,559)	-
Noncash Memorial - Investment in Washburn Trust	73,961	21,508
Contributions Restricted for Long-Term Purposes	-	(7,700)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Inventory	12,050	(14,428)
Prepaid Expenses	(2,635)	1,664
Government Grant Receivable	(133,730)	(204,107)
Accounts Receivable	(37,024)	37,237
Promises to Give	120,803	147,453
Promises to Give - United Way	28,020	7,120
Accounts Payable	(219,506)	(1,346,375)
Accrued Personnel Expenses	(38,642)	199,712
Accrued Interest Payable	-	(15,568)
Refundable Advance/Unearned Revenue	(101,868)	95,253
Net Cash Provided by Operating Activities	1,078,723	447,913
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(818,005)	(3,881,371)
Purchases of Investments	(709,069)	(982,429)
Proceeds from Sale of Investments	729,295	767,591
Net Cash Used in Investing Activities	(797,779)	(4,096,209)
Cash Flows from Financing Activities		
Proceeds on Long-Term Debt	-	1,799,182
Repayments on Long-Term Debt	(1,243,961)	(1,285,600)
Contributions Restricted for Long-Term Purposes	-	7,700
Net Cash Provided by (Used in) Financing Activities	(1,243,961)	521,282
Decrease in Cash, Cash Equivalents and Restricted Cash	(963,017)	(3,127,014)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	2,753,312	5,880,326
Cash, Cash Equivalents and Restricted Cash - End of Year	\$ 1,790,295	\$ 2,753,312

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of Cash and Restricted Cash:		
Cash	\$ 1,342,731	\$ 1,996,445
Restricted Cash - QALICB	447,564	756,867
Total Cash and Restricted Cash	\$ 1,790,295	\$ 2,753,312
Supplemental Disclosures of Noncash Operating and Investing Activities		
Purchases of Property and Equipment Included in Accounts Payable	\$ 450,922	\$ 212,978
Supplemental Disclosures of Cash Flow Information		
Cash Payment for Interest, Net of Interest Capitalized		
2021 - \$-0-; 2020 - \$99,050	195,160	144,055

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, 2021 AND 2020**

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

Youth & Family Services, Inc. (YFS) 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, 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. YFS is dependent on governmental grants to meet many of its program needs. For the year ended June 30, 2021, the Head Start grants comprised \$7,835,510 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 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 into the financial statements of the Organization as the Organization 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 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(1) Nature of Activities and Significant Accounting Policies (Continued)

Basis of Accounting and Financial Statement Presentation

The 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 Statement 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:

	<u>Years</u>
Buildings	15-39
Equipment and Furnishings	3-25
Equipment and Vehicles - Head Start	3-10
Vehicles	5-7

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(1) Nature of Activities and Significant Accounting Policies (Continued)

Investments

The Organization accounts for investments at fair market value with changes in fair market value accounted for in the Consolidated Statement 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 Statement 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.

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. Notes 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, 2021 and 2020. The note receivable is evaluated annually for impairment. At June 30, 2021 and 2020, 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, 2021 or 2020. 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, 2021 and 2020 represent unconditional promises to give. Amounts were collected after year-end, resulting in no allowance for uncollectible amounts.

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, 2021 and 2020, receivables totaling **\$50,491** and \$28,420, 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 beginning July 1, 2019 accounts receivable balance totaled \$107,452.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(1) Nature of Activities and Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

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, 2021 and 2020. The Organization receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the financial statements since it does not meet the criteria for recognition.

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, 2021 and 2020, YFS, the Foundation, and the QALICB believe no significant uncertain tax positions or liabilities exist.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(1) Nature of Activities and Significant Accounting Policies (Concluded)

Beneficial Interest in Trust

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

Subsequent Events

Management has assessed YFS, the Foundation, and the QALICB for significant subsequent events through December 2, 2021, the date which the financial statements were available to be issued.

Adopted Accounting Standard

The Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The standard was effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Adoption of ASU 2018-13 was effective for the Organization on July 1, 2020. See Note 7 for disclosures made under this ASU.

Emerging Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases* 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. With regards to lessors, the new standard requires lessors to classify leases as sales-type, direct financing, or operating leases based on whether the lessee, in effect, obtains control of the underlying asset as a result of the lease. A lessor is precluded from recognizing income at lease commencement if control is not transferred. In addition, no differentiation exists between leases of real estate and leases of other assets. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The standard is effective for years beginning after June 15, 2021. The Organization will be evaluating the impact this standard will have on the financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 238,996	\$ 288,255
Receivable in one to five years	399,270	484,076
Receivable over five years	-	1,645
Total unconditional promises to give	638,266	773,976
Less allowance for uncollectible promises to give	(20,512)	(29,330)
Less discounts to net present value (*)	(10,195)	(15,512)
Net unconditional promises to give	\$ 607,559	\$ 729,134

(*) Based on 1.57 percent for the year ended June 30, 2015, 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, and .72 percent for the year ended June 30, 2021.

(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 expense was **\$219,406** and \$239,701 for the years ended June 30, 2021 and 2020, 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 **\$196,093** and \$209,191 was recorded as Donated Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets for the years ended June 30, 2021 and 2020, respectively. Future obligations of minimum rental payments of operating leases are as follows:

2022	\$ 100,456
2023	100,456
2024	100,456
2025	100,456
2026	369,456
Thereafter	13,695,570
	\$ 14,466,850

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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, 2021
June 30, 2021			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ -
United Way - Program	47,927	-	133,874
Campaign Time Restriction (a)	32,354	-	375,570
Investment in Washburn Trust (a) (Note 7)	201,365	-	73,961
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)	88,054	25,000	11,454
Girls Inc. (a)	31,220	1,025	1,336
Lemley Funds Endowment Girls Inc. Program (a)	104,404	500,421	25,773
Rasmussen Trust Distribution - Program Restricted	22,288	-	47,711
Lemley Trust Distribution - Program Restricted	34,613	-	26,763
Campaign - No Program Restriction Endowment (a)	-	152,100	-
Campaign - Rural Program (a)	-	-	-
Barb Butler Estate - Girl's Inc. Program	63,741	-	12,572
Gallagher Estate - Girl's Inc. Program	120,000	-	-
Land/Building Improvements - Pledges	603,082	-	163,816
BHACF - Counseling Center Services	2,820	-	-
South Dakota Community Foundation - M.S. Program	7,868	-	-
Caremobile	13,850	-	-
BHACF - Summer Meals	1,689	-	311
Child and Adult Care Food Program	-	-	15,013
Youth Trauma	15,000	-	-
Schumacher Memorial - No Program Restriction	-	1,700	-
	\$ 1,392,697	\$ 1,232,527	\$ 888,154

(a) Foundation net asset balances

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(5) Net Assets (Continued)

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, 2020
June 30, 2020			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ -
United Way - Program	66,644	-	83,067
Campaign Time Restriction (a)	27,278	-	22,815
Investment in Washburn Trust (a) (Note 7)	275,326	-	21,509
John Vucurevich Endowment (a)	-	408,824	-
Campaign 10-Year Donor Restriction (a)	2,421	-	-
Campaign Child Development Center (a)	-	-	590
No Program Restriction Endowment (a)	-	17,922	-
BHACF Endowment (a)	-	10,000	-
Campaign Endowment Fatherhood (a)	-	65,535	-
Fatherhood Project Reserves/Endowment (a)	66,249	25,000	16,877
Girls Inc. (a)	-	1,025	-
Lemley Funds Endowment Girls Inc. Program (a)	-	488,821	23,249
Rasmussen Trust Distribution - Program Restricted	34,999	-	18,271
Lemley Trust Distribution - Program Restricted	34,613	-	19,031
Campaign - No Program Restriction Endowment (a)	-	152,099	-
Campaign - Rural Program (a)	-	-	1,000
Barb Butler Estate - Girl's Inc. Program	64,789	-	-
Gallagher Estate - Girl's Inc. Program	120,000	-	-
Land/Building Improvements	686,134	-	819,050
Larson Foundation - Girls Health Connections Program	-	-	36,002
BHACF - CC services	2,820	-	-
Altrusa Club - Care Closet	-	-	3,684
South Dakota Community Foundation - M.S. Program	7,868	-	10,000
BHACF - Garden Funds	-	-	4,582
Greenhouse	334	-	-
BHACF - Summer Meals	-	-	2,007
Child and Adult Care Food Program	15,013	-	-
Youth Trauma	-	-	31,383
Schumacher Memorial - No Program Restriction	-	1,700	-
	\$ 1,404,488	\$ 1,220,926	\$ 1,113,117

(a) Foundation net asset balances

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(5) Net Assets (Continued)

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

	2021	2020
Property and Equipment	\$ 4,893,682	\$ 1,952,296
General	11,431,811	11,636,298
<i>Board Designated:</i>		
East Adams Facilities and Operations	641,870	641,870
East Adams Facilities Expansion - Foundation	378,313	378,313
Endowment	146,518	146,518
Endowment - Foundation	100,000	100,000
Kid's Fair	2,290	2,290
Child Development Center Transportation	3,933	3,933
Vehicle Repair	3,746	3,746
Family Violence Prevention	2,072	2,072
	\$ 17,604,235	\$ 14,867,336

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 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(5) Net Assets (Concluded)

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, 2019	\$ 246,518	\$ 71,363	\$ 1,216,023	\$ 1,533,904
Investment Return	-	35,013	(2,797)	32,216
Contributions	-	-	7,700	7,700
Appropriations for Expenditure	-	(40,127)	-	(40,127)
Endowment Net Assets - June 30, 2020	246,518	66,249	1,220,926	1,533,693
Investment Return	-	163,436	11,601	175,037
Appropriations for Expenditure	-	(37,227)	-	(37,227)
Endowment Net Assets - June 30, 2021	\$ 246,518	\$ 192,458	\$ 1,232,527	\$ 1,671,503

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:

	2021	2020
Buildings	\$ 16,025,249	\$ 15,920,247
Buildings - Federal Reversionary Interest	1,330,212	1,063,941
Buildings - Foundation	126,919	120,526
Equipment and Vehicles- Federal Reversionary Interest	2,754,357	2,434,299
Equipment and Furnishings	669,350	408,082
Equipment and Furnishings - QALICB	300,495	257,501
Vehicles	932,516	712,740
	22,139,098	20,917,336
Less Accumulated Depreciation	5,789,745	5,075,173
	16,349,353	15,842,163
Land	744,468	744,468
Land - QALICB	412,066	412,066
Land - Foundation	73,669	73,669
	1,230,203	1,230,203
	\$ 17,579,556	\$ 17,072,366

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(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 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. 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 is not redeemable by the Foundation.

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, 2021	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 75,339	\$ -	\$ -	\$ -	\$ 75,339
Equities	2,250,545	313,671	-	-	2,564,216
Fixed Income	581,158	1,094,433	-	-	1,675,591
Washburn Trust	-	-	201,365	-	201,365
Investment in BHACF	-	-	-	20,172	20,172
Total Fair Value Investments	\$ 2,907,042	\$ 1,408,104	\$ 201,365	\$ 20,172	\$ 4,536,683

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(7) Investments and Fair Value Measurements (Continued)

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

June 30, 2020	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 72,973	\$ -	\$ -	\$ -	\$ 72,973
Equities	1,577,026	371,208	-	-	1,948,234
Fixed Income	314,183	1,066,798	-	-	1,380,981
Washburn Trust	-	-	275,326	-	275,326
Investment in BHACF	-	-	-	16,364	16,364
Total Fair Value Investments	\$ 1,964,182	\$ 1,438,006	\$ 275,326	\$ 16,364	\$ 3,693,878

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

Balance -- June 30, 2019	\$ 296,835
Distributions	(21,509)
Balance -- June 30, 2020	275,326
Distributions	(73,961)
Balance -- June 30, 2021	\$ 201,365

(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.

YFS entered into a note payable with BankWest for a bridge loan totaling \$4,869,964. YFS used the loan proceeds and contributions from donors designated for Facility Expansion to lend to the Investment Fund, as described above. 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. In 2019, YFS made contributions to the QALICB to help fund the new facility in the form of construction in progress and equipment.

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.

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.

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

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

	<u>2021</u>	<u>2020</u>
<i>YFS Long-Term Debt:</i>		
Note payable to bank (bridge loan), matures August 2025, interest payable quarterly at 6.25 percent. Annual principal payments of \$162,332 due June each year. Secured by property and pledges for project.	\$ 575,364	\$ 1,235,703
Note payable to Small Business Administration (SBA) through the Paycheck Protection Program (PPP), matures April 2022, interest payable monthly at 1.00 percent, monthly payments of \$101,271 (b).	-	1,799,182
<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	1,778,242
	13,230,364	15,689,885
Less: Current Maturities	(135,259)	(1,934,441)
Less: Deferred Bond Issue Costs, Net of Accumulated Amortization	(544,490)	(569,815)
	\$ 12,550,615	\$ 13,185,629

(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.

(b) In fiscal year 2020, the Organization was granted a \$1,799,182 forgivable loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. The Company initially recorded the loan as a liability and recorded forgiveness when the loan obligation was legally released by the SBA during 2020. The Organization recognized a \$1,215,559 gain on extinguishment of debt for the year ended June 30, 2021 and repaid the rest to the lender. Although the Organization may be subject to further examination by the SBA, management does not expect any subsequent revisions to the approved forgiven loan amount.

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

2022	\$ 135,259
2023	135,259
2024	135,259
2025	65,731
2026	196,841
Thereafter	12,017,525
	\$ 12,685,874

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2021 AND 2020**

(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:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,342,731	\$ 1,996,445
Government Grant Funds Receivable	1,359,248	1,225,518
Accounts Receivable	92,592	60,871
Investments	4,536,683	3,693,878
Promises to Give	655,486	805,081
Total Financial Assets	7,986,740	7,781,793
Less: Net Assets Without Donor Restriction - Board-Designated	1,278,742	1,278,742
Less: Net Assets With Time/Purpose Restrictions	1,392,697	1,404,488
Less: Net Assets With Perpetual Restrictions	1,232,527	1,220,926
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 4,082,774	\$ 3,877,637

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 Statement of Financial Position are sponsorship and vendor fees associated with the next Kid's Fair totaling **\$11,960** and \$66,949, program fees of **\$3,621** and \$5,500, and grant funds advanced totaling **\$-0-** and \$45,000 for the years ended June 30, 2021 and 2020, respectively. There was no beginning unearned revenue at July 1, 2019. 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, 2021, conditional promises to give totaled approximately **\$9,029,000**, and are not recorded in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Current Assets					
Cash and Cash Equivalents	\$ 1,215,974	\$ 126,757	\$ -	\$ -	\$ 1,342,731
Restricted Cash	-	-	447,564	-	447,564
Inventory	15,147	-	-	-	15,147
Prepaid Expenses	10,845	600	-	-	11,445
Government Grant Funds Receivable	1,359,248	-	-	-	1,359,248
Accounts Receivable - Fees and Other, Net of Allowance of \$19,023 at June 30, 2021	92,592	-	-	-	92,592
Promises to Give -- United Way	47,927	-	-	-	47,927
Promises to Give -- Current Portion, Less Allowance for Uncollectible Amounts	-	238,996	-	-	238,996
Total Current Assets	2,741,733	366,353	447,564	-	3,555,650
Property and Equipment	11,302,891	200,589	11,865,821	-	23,369,301
Less Accumulated Depreciation	5,271,819	19,116	498,810	-	5,789,745
Total Property and Equipment, Net	6,031,072	181,473	11,367,011	-	17,579,556
Other Assets					
Promises to Give, Net of Current Portion, Allowance and Discount	-	368,563	-	-	368,563
Investments	1,385,883	3,150,800	-	-	4,536,683
Note Receivable	8,646,417	-	-	-	8,646,417
Total Other Assets	10,032,300	3,519,363	-	-	13,551,663
TOTAL ASSETS	\$ 18,805,105	\$ 4,067,189	\$ 11,814,575	\$ -	\$ 34,686,869

LIABILITIES AND NET ASSETS	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Current Liabilities					
Current Maturities of Long-Term Debt	\$ 135,259	\$ -	\$ -	\$ -	\$ 135,259
Accounts Payable	764,321	-	-	-	764,321
Accrued Personnel Expenses	991,634	-	-	-	991,634
Refundable Advance and Unearned Revenue	15,581	-	-	-	15,581
Total Current Liabilities	1,906,795	-	-	-	1,906,795
Long-Term Debt, Net of Current Maturities	403,555	-	12,147,060	-	12,550,615
Net Assets					
<i>Without Donor Restriction</i>					
Property and Equipment	5,492,258	181,473	(780,049)	-	4,893,682
General	9,822,272	1,161,975	447,564	-	11,431,811
Board Designated	800,429	478,313	-	-	1,278,742
Total Without Donor Restriction	16,114,959	1,821,761	(332,485)	-	17,604,235
With Donor Restrictions - Time or Purpose	329,796	1,062,901	-	-	1,392,697
With Donor Restrictions - Perpetual	50,000	1,182,527	-	-	1,232,527
Total With Donor Restrictions	379,796	2,245,428	-	-	2,625,224
Total Net Assets	16,494,755	4,067,189	(332,485)	-	20,229,459
TOTAL LIABILITIES AND NET ASSETS	\$ 18,805,105	\$ 4,067,189	\$ 11,814,575	\$ -	\$ 34,686,869

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Support and Revenues					
Grants	\$ 12,102,002	\$ (53,160)	\$ -	\$ -	\$ 12,048,842
Gain on Paycheck Protection Program Loan	1,215,559	-	-	-	1,215,559
<i>Investment Return:</i>					
Net Realized/Unrealized Gain on Investments	301,437	635,555	-	-	936,992
Interest and Dividends	123,505	41,199	534	-	165,238
Distribution from Black Hills Community Foundation	-	18,353	-	-	18,353
Capital Gains	2,769	8,443	-	-	11,212
Royalties	2,231	-	-	-	2,231
Brokerage Fees	(8,957)	(19,159)	-	-	(28,116)
Contributions	1,001,095	469,864	-	(516,022)	954,937
Program Service Fees	948,479	-	(24)	-	948,455
Donated Rental Facilities	196,093	-	-	-	196,093
Miscellaneous	53,894	17,861	-	-	71,755
Kid's Fair	70,833	-	-	-	70,833
Dinner Theatre	44,307	-	-	-	44,307
Membership Dues	27,070	-	-	-	27,070
Rental Income	-	18,298	158,456	(158,456)	18,298
Memorials	-	3,293	-	-	3,293
Dr. Lemley Trust Funds	24,998	-	-	(24,998)	-
Contract Service Fees	84,014	-	-	(84,014)	-
Total Support and Revenues	16,189,329	1,140,547	158,966	(783,490)	16,705,352

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Expenses					
Salaries	\$ 7,731,321	\$ -	\$ -	\$ -	\$ 7,731,321
Supplies	929,433	6,160	-	-	935,593
Fringe Benefits	898,974	-	-	-	898,974
Depreciation	431,567	4,489	325,681	-	761,737
Family Child Care Payments	711,427	-	-	-	711,427
Professional and Contracted Services	500,489	90,011	79,099	(84,014)	585,585
Payroll Taxes	563,426	-	-	-	563,426
Food	327,984	-	-	-	327,984
Rent	390,040	-	-	(158,456)	231,584
Utilities	226,471	179	-	-	226,650
Interest	79,238	-	115,922	-	195,160
Insurance	171,206	3,222	1,212	-	175,640
Travel and Conferences	140,284	-	-	-	140,284
Promotion	124,290	25	-	-	124,315
Repairs and Maintenance	116,593	4,960	-	-	121,553
Telephone	64,246	-	-	-	64,246
Transportation	56,506	-	-	-	56,506
Office Supplies and Postage	38,204	217	21	-	38,442
Other	31,069	-	-	-	31,069
Dues and Subscriptions	22,678	-	-	-	22,678
Excursions	8,593	-	-	-	8,593
Miscellaneous	7,595	-	180	-	7,775
Bad Debt Provision	5,303	772	-	-	6,075
Parent Activity	2,026	-	-	-	2,026
Donation Expense	-	541,020	-	(541,020)	-
Total Expenses	13,578,963	651,055	522,115	(783,490)	13,968,643
Increase (Decrease) in Net Assets	2,610,366	489,492	(363,149)	-	2,736,709
Net Assets - Beginning of Year	13,884,389	3,577,697	30,664	-	17,492,750
Net Assets - End of Year	16,494,755	4,067,189	(332,485)	-	20,229,459

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Cash Flows from Operating Activities					
Increase (Decrease) in Net Assets	\$ 2,610,366	\$ 489,492	\$ (363,149)	\$ -	\$ 2,736,709
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i>					
Depreciation	431,567	4,489	325,681	-	761,737
Bad Debt Provision	5,303	772	-	-	6,075
Net Realized/Unrealized Gain on Investments	(301,437)	(635,555)	-	-	(936,992)
Amortization of Deferred Debt Issuance Costs, Net	8,772	-	16,552	-	25,324
Paycheck Protection Program					
Gain on Extinguishment of Debt	(1,215,559)	-	-	-	(1,215,559)
Noncash Memorial - Investment in Washburn Trust	-	73,961	-	-	73,961
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>					
Inventory	12,050	-	-	-	12,050
Prepaid Expenses	(2,635)	-	-	-	(2,635)
Government Grant Receivable	(133,730)	-	-	-	(133,730)
Accounts Receivable	(37,024)	-	-	-	(37,024)
Promises to Give	-	120,803	-	-	120,803
Promises to Give - United Way	28,020	-	-	-	28,020
Accounts Payable	30,887	-	(250,393)	-	(219,506)
Accrued Personnel Expenses	(38,642)	-	-	-	(38,642)
Refundable Advance	(101,868)	-	-	-	(101,868)
Net Cash Provided by (Used in) Operating Activities	1,296,070	53,962	(271,309)	-	1,078,723
Cash Flows from Investing Activities					
Purchases of Property and Equipment	(773,617)	(6,394)	(37,994)	-	(818,005)
Purchases of Investments	(219,603)	(489,466)	-	-	(709,069)
Proceeds from Sale of Investments	207,091	522,204	-	-	729,295
Net Cash Provided by (Used in) Investing Activities	(786,129)	26,344	(37,994)	-	(797,779)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Cash Flows from Financing Activities					
Repayments on Long-Term Debt	(1,243,961)	-	-	-	(1,243,961)
Advances (Repayments) on Intercompany Loans	(1,000)	1,000	-	-	-
Net Cash Provided by (Used in) Financing Activities	(1,244,961)	1,000	-	-	(1,243,961)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash					
	(735,020)	81,306	(309,303)	-	(963,017)
Cash, Cash Equivalents and Restricted Cash					
- Beginning of Year	1,950,994	45,451	756,867	-	2,753,312
Cash, Cash Equivalents and Restricted Cash					
- End of Year	\$ 1,215,974	\$ 126,757	\$ 447,564	\$ -	\$ 1,790,295
Reconciliation of Cash and Restricted Cash:					
Cash	\$ 1,215,974	\$ 126,757	\$ -	\$ -	\$ 1,342,731
Restricted Cash - QALICB	-	-	447,564	-	447,564
Total Cash and Restricted Cash	\$ 1,215,974	\$ 126,757	\$ 447,564	\$ -	\$ 1,790,295
Supplemental Disclosures of Noncash Operating and Investing Activities					
Purchases of Property and Equipment Included in Accounts Payable	\$ 450,922	\$ -	\$ -	\$ -	\$ 450,922
Supplemental Disclosures of Cash Flow Information					
Cash Payment for Interest	79,238	-	115,922	-	195,160

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, 2021**

	CFDA 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 (Note 1)	10.558	N/A	\$ 1,095,441
<i>Child Nutrition Cluster (Note 1):</i>			
Summer Food Service Program for Children	10.559	N/A	350,924
Total U.S. Department of Agriculture			1,446,365
<i>U.S. Department of Justice:</i>			
Passed through the S.D. Department of Social Services:			
Crime Victim Assistance	16.575	N/A	96,155
Crime Victim Assistance -COVID	16.575	N/A	9,324
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	90,607
Total U.S. Department of Justice			196,086
<i>U.S. Department of Homeland Security:</i>			
Passed through United Way of the Black Hills:			
Emergency Food and Shelter National Board Program	97.024	37-7580-00	6,101
Total U.S. Department of Homeland Security			6,101
<i>U.S. Department of Education:</i>			
Passed through S.D. Department of Education:			
21st Century Community Learning Centers	84.287C	S287C190042	242,668
Total U.S. Department of Education			242,668
<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	14.218	N/A	225,000
Community Development Block Grant Entitlement Funds -COVID	14.218	N/A	1,072
Total Entitlement Grants Cluster			226,072
Total U.S. Department of Housing and Urban Development			226,072

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2021**

	CFDA 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	6,243,860
Head Start 0-5 and Early Head Start CARES	93.600	N/A	486,537
Head Start CARES	93.600	N/A	126,544
Head Start 0-3 and Early Head Start Expansion	93.600	N/A	937,690
Early Head Start CARES	93.600	N/A	40,879
Total Head Start Cluster			7,835,510
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	828,010
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5U79SM063086-04	365,830
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	31,578
Drug Free Communities (DFC) Support Program	93.276	N/A	127,568
SD Emergency Grant During -COVID	93.665	COVID-19	40,125
Total			1,393,111
Total U.S. Department of Health and Human Services			9,228,621
Total			\$ 11,345,913

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.



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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*

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 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, 2021, and the related statements of activities, 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 December 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2021-001 and #2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 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*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the 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

December 2, 2021



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

810 Quincy Street
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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

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

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 described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Organization's major federal programs 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 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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings as 2021-003 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



KETEL THORSTENSON, LLP
Certified Public Accountants

December 2, 2021

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements.
2. Two material weaknesses were disclosed during the audit of the 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 financial statements were disclosed during the audit.
4. A significant deficiency disclosed during the audit of the major federal award programs is 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 – CFDA #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 WEAKNESSES

#2021-001 FINDING: Financial Statement Preparation

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: The auditors were requested to draft the audited 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 financial statements that could have been prevented or detected by the Organization's management.

Repeat Finding from Prior Year: Yes, prior year finding #2020-001.

Recommendation: We have instructed management to review a draft of the auditor prepared financials 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 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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

#2021-002 FINDING: Audit Adjustments

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: During the course of our engagement, we proposed material audit 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 material misstatement of the Organization's financial statements.

Repeat Finding from Prior Year: Yes, prior year finding #2020-002.

Recommendation: We recommend the following:

- 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.
- Accounts payable should be recorded for goods received and services provided as of year-end.
- Ensure year-end balances are correct after year-end adjustments. One entry was posted backwards.

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

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

SIGNIFICANT DEFICIENCY

#2021-003 FINDING: Written Approval for Major Renovations

Federal Program Affected: Head Start/CFDA #93.600

Compliance Requirement: Allowable Costs and Special Tests and Provisions – Protection of Federal Interest in Real Property and Facilities

Questioned Costs: None

Condition and Cause: A renovation project originally budgeted for total expenditures of less than \$250,000 was charged to Head Start. The final total cost of the renovation project (including design and engineering costs) exceeded \$250,000 due to increased costs related to supply chain limitations. The Organization did not receive prior written approval from an authorized HHS official before funding major renovations with Head Start funds, and a Notice of Federal Interest was not filed.

Criteria and Effect: Head Start requires organizations to receive prior written approval from an authorized HHS official before conducting major renovations. Head Start defines major renovation as any individual or collection renovation that has a cost equal to or exceeding \$250,000. Not receiving written approval may result in noncompliance. When Head Start funds are used to purchase real property or complete a major renovation, a Notice of Federal Interest must be recorded. The Organization did not file such notice. Head Start was contacted after June 30, 2021, regarding this renovation project, and the required Notice of Federal Interest is in the process of being filed.

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

**SCHEDULE OF FINDINGS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

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

SIGNIFICANT DEFICIENCY (CONTINUED)

#2021-003 FINDING: Written Approval for Major Renovations (Continued)

Repeat Finding from Prior Year: N/A

Recommendation: We recommend the Organization receive prior written approval from an authorized HHS official for all Head Start funded major renovations (including design and engineering costs) expected to exceed \$250,000. If a project is originally expected to be under \$250,000 but eventually is determined to exceed \$250,000, we recommend the Organization seek approval as soon as possible and/or elect to charge a portion of the project to another funding source.

Response/Corrective Action Plan: See Organization's Corrective Action Plan

MANAGEMENT RESPONSE



Counseling\Crisis Intervention\Child Care\Education\Girls Incorporated\Head Start\Nutrition & Health\Parent Enhancement\Prevention Programs\Recreation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2021

Youth & Family Services, Inc. respectfully submits the following summary schedule of prior audit findings from the June 30, 2020 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2020 Schedule of Findings.

Finding No. 2020-001: 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 financial statements as a part of the annual audit process. The Organization has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: 2019

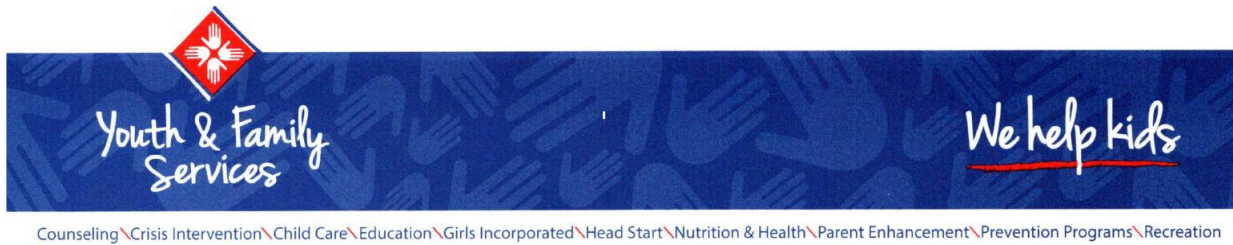
Reasons for Recurrence and Corrective Action Plan: As the Organization has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2021, see Corrective Action Plan.

Finding No. 2020-002: Audit Adjustments

Status: This finding was revised and repeated in the current year.

Initial Year Report: 2020

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



**CORRECTION ACTION PLAN
JUNE 30, 2021**

Youth & Family Services, Inc. respectfully submits the following corrective action plan regarding findings from the June 30, 2021 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2021 Schedule of Findings.

Finding No. 2021-001: Financial Statement Preparation

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 financial statements and will continue to have the independent auditor prepare the annual financial statements.

Anticipated Completion Date: Ongoing

Finding No. 2021-002: Adjusting Journal Entries

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. 2021-003: Written Approval for Major Renovations

Responsible Individuals: David Miller, Chief Program Officer

Corrective Action Plan: The Organization has been in contact with HHS regarding the Vestibule renovation and necessary reporting requirements are being met.

Anticipated Completion Date: Current fiscal year