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June 5, 2023

Darcie Decker
Nutrition Services and Community Outreach Director
Youth and Family Services, Inc.
PO Box 2813
Rapid City SD 57709

RE: Management Decision on Single Audit Report for the Year ended June 30, 2022

Dear Darcie Decker:

The Department of Education has reviewed the Youth and Family Services single audit report for the fiscal year ended June 30, 2022. This letter provides the DOE's management decision on the audit findings and the district's proposed corrective action plans that relate to the Federal awards administered by the DOE.

Finding Number 2022-003: One child tested for eligibility was being charged for reimbursement at a free rate of $3.92, however the Organization was only eligible to receive reimbursement for this child at the paid rate of $.062. The cause of this error was a result of the child being formerly enrolled in the Head Start Program and upon disenrollment, the Organization failed to update the child's status to a paid rate.

DOE Management Decision: The DOE sustains the independent auditor's finding. The DOE requested that Youth & Family Services to submit a corrective action plan to ensure that these eligibility errors won't occur again in the future. The DOE accepts the corrective action plan that was provided.

If you have any questions or concerns, please feel free to contact me at (605)-773-3248.

Sincerely,

Rob Huffman

Rob Huffman, Administrator
Office of Grants Management

cc: Kari Williams, Chief Finance Officer

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

Date: October 12, 2023

To: SD Board of Internal Control (State Agency - SD Department of Education)

Re: Audit Report on – Youth and Family Services, Inc.
As of and for the year ended June 30, 2022
By: Ketel Thorstenson, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit findings and/or questioned costs pertaining to federal award programs administered by a State department that is required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See reference to findings on page 43. Accordingly, you are required to issue a management decision on the audit finding within six months after receipt of this audit report (OMB Uniform Guidance §200.331(d)(3)).

Please contact us if you have any questions.

Sincerely,

Russell A. Olson

Russell A. Olson
Auditor General

Enclosure

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022 AND 2021

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of **YOUTH & FAMILY SERVICES, INC. (YFS), YOUTH & FAMILY SERVICES FOUNDATION** (**the Foundation**), and **YOUTH & FAMILY SERVICES QALICB, INC. (the QALICB)**, collectively, the Organization, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **YOUTH & FAMILY SERVICES, INC., YOUTH & FAMILY SERVICES FOUNDATION**, and **YOUTH & FAMILY SERVICES QALICB, INC.** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Ketel Thorstenson, LLP

KETEL THORSTENSON, LLP
Certified Public Accountants

October 31, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS	2022	2021
Current Assets		
Cash and Cash Equivalents	**$ 1,193,192**	$ 1,342,731
Restricted Cash	**414,476**	447,564
Inventory	**13,516**	15,147
Prepaid Expenses	**87,032**	11,445
Government Grant Funds Receivable	**1,024,536**	1,359,248
Accounts Receivable - Fees and Other, Net of Allowance of **$29,090** and $19,023 at June 30, 2022 and 2021, Respectively	**37,918**	92,592
Promises to Give -- United Way	**109,900**	47,927
Promises to Give -- Current (Note 2)	**139,722**	238,996
Total Current Assets	**3,020,292**	3,555,650
Property and Equipment (Notes 6 and 8)	**23,356,425**	23,369,301
Less Accumulated Depreciation	**6,349,890**	5,789,745
Total Property and Equipment, Net	**17,006,535**	17,579,556
Other Assets		
Promises to Give, Net of Current Portion, Allowance and Discount (Note 2)	**186,616**	368,563
Investments (Note 7)	**3,889,218**	4,536,683
Note Receivable (Note 8)	**8,646,417**	8,646,417
Total Other Assets	**12,722,251**	13,551,663
TOTAL ASSETS	**$ 32,749,078**	$ 34,686,869

The accompanying notes are an intergral part of these statements.

LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Maturities of Long-Term Debt (Note 8)	**$ 117,992**	$ 135,259
Accounts Payable	**366,686**	764,321
Accrued Personnel Expenses	**705,578**	991,634
Refundable Advance and Unearned Revenue (Note 10)	**134,672**	15,581
Total Current Liabilities	**1,324,928**	1,906,795
Long-Term Debt, Net of Current Maturities (Note 8)	**12,214,051**	12,550,615
Commitments (Notes 3, 4 and 8)		
Net Assets (Note 5)		
Without Donor Restriction		
Property and Equipment, Net of Related Debt	**4,674,492**	4,893,682
General	**10,759,827**	11,431,811
Board Designated	**1,329,124**	1,278,742
Total Without Donor Restriction	**16,763,443**	17,604,235
With Donor Restrictions - Time or Purpose	**1,134,610**	1,392,697
With Donor Restrictions - Perpetual	**1,312,046**	1,232,527
Total With Donor Restrictions	**2,446,656**	2,625,224
Total Net Assets	**19,210,099**	20,229,459
TOTAL LIABILITIES AND NET ASSETS	**$ 32,749,078**	$ 34,686,869

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

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

	Without Donor	With Donor Restrictions		
	Restriction	Time/Purpose	Perpetual	**Total**
Support and Revenues				
Grants	$ 11,324,304	$ 410,235	$ -	**$ 11,734,539**
Investment Return (Note 7):				
Net Realized/Unrealized Gain on Investments	(759,804)	8,885	90,350	**(660,569)**
Interest and Dividends	125,044	48,970	-	**174,014**
Earnings from Black Hills Community Foundation	13,883	-	-	**13,883**
Capital Gains	2,787	8,314	-	**11,101**
Royalties	3,707	-	-	**3,707**
Brokerage Fees	(10,426)	(22,712)	-	**(33,138)**
Contributions	416,090	556,626		**972,716**
Program Service Fees	827,612	-	-	**827,612**
Donated Rental Facilities (Note 4)	155,646	-	-	**155,646**
Miscellaneous	3,246	-	-	**3,246**
Gain on Sale of Asset	55,301	-	-	**55,301**
Kid's Fair	127,762	-	-	**127,762**
Dinner Theatre	10,894	-	-	**10,894**
Dinner Theatre Auction - In-Kind (Note 12)	37,672	-	-	**37,672**
Membership Dues	21,467	-	-	**21,467**
Rental Income	17,242	-	-	**17,242**
Net Assets Released from Restrictions (Note 5)	1,279,236	(1,268,405)	(10,831)	**-**
Total Support and Revenues	**13,651,663**	**(258,087)**	**79,519**	**13,473,095**
Expenses (Notes 3 and 4)				
Program Services	12,869,714	-	-	**12,869,714**
Supporting Services				
Administrative	1,286,961	-	-	**1,286,961**
Fundraising	335,780	-	-	**335,780**
Total Expenses	**14,492,455**	**-**	**-**	**14,492,455**
Increase (Decrease) in Net Assets	**(840,792)**	**(258,087)**	**79,519**	**(1,019,360)**
Net Assets - Beginning	17,604,235	1,392,697	1,232,527	20,229,459
Net Assets - Ending	**$ 16,763,443**	**$ 1,134,610**	**$ 1,312,046**	**$ 19,210,099**

The accompanying notes are an integral part of this statement.

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

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

	Without Donor Restriction	With Donor Restrictions		
		Time/Purpose	Perpetual	**Total**
Support and Revenues				
Grants	$ 12,048,842	$ -	$ -	**$ 12,048,842**
Gain on Paycheck Protection Program Loan (Note 8)	1,215,559	-	-	**1,215,559**
Investment Return (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**
Earnings 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	736,304	221,926	-	**958,230**
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	17,308	-	-	**17,308**
Dinner Theatre Auction - In-Kind (Note 12)	26,999	-	-	**26,999**
Membership Dues	27,070	-	-	**27,070**
Rental Income	18,298	-	-	**18,298**
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**
Supporting Services				
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 QALICB, INC.

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

	Program	Administrative	Fundraising	**Total**
Salaries	$ 6,712,560	$ 821,914	$ 263,574	**$ 7,798,048**
Supplies	890,342	9,233	14,138	**913,713**
Fringe Benefits (Note 3)	763,446	93,480	29,977	**886,903**
Depreciation	837,658	14,669	512	**852,839**
Family Child Care Payments	847,737	-	-	**847,737**
Professional and Contracted Services	619,206	64,416	406	**684,028**
Payroll Taxes	499,588	61,172	19,617	**580,377**
Repairs and Maintenance	356,833	585	188	**357,606**
Food	271,953	-	-	**271,953**
Utilities	252,021	1,679	548	**254,248**
Rent (Note 4)	203,240	-	-	**203,240**
Insurance	176,574	10,855	-	**187,429**
Travel and Conferences	151,846	15,082	48	**166,976**
Interest	-	148,901	-	**148,901**
Promotion	81,267	22,177	-	**103,444**
Transportation	80,916	2,332	310	**83,558**
Telephone	32,556	944	268	**33,768**
Dues and Subscriptions	22,562	594	4	**23,160**
Bad Debt	16,390	-	6,190	**22,580**
Other	21,527	-	-	**21,527**
Office Supplies and Postage	-	18,928	-	**18,928**
Excursions	18,590	-	-	**18,590**
Miscellaneous	6,766	-	-	**6,766**
Parent Activity	6,136	-	-	**6,136**
Total Expenses	**$ 12,869,714**	**$ 1,286,961**	**$ 335,780**	**$ 14,492,455**

The accompanying notes are an integral part of this statement.

YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
YOUTH & FAMILY SERVICES 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**
Repairs and Maintenance	120,780	585	188	**121,553**
Food	327,984	-	-	**327,984**
Utilities	224,423	1,679	548	**226,650**
Rent (Note 4)	231,584	-	-	**231,584**
Insurance	164,785	10,855	-	**175,640**
Travel and Conferences	125,154	15,082	48	**140,284**
Interest	-	195,160	-	**195,160**
Promotion	102,138	22,177	-	**124,315**
Transportation	53,864	2,332	310	**56,506**
Telephone	63,034	944	268	**64,246**
Dues and Subscriptions	22,080	594	4	**22,678**
Bad Debt	(115)	-	6,190	**6,075**
Other	31,069	-	-	**31,069**
Office Supplies and Postage	11,526	26,916	-	**38,442**
Excursions	8,593	-	-	**8,593**
Miscellaneous	7,775	-	-	**7,775**
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	**$ (1,019,360)**	$ 2,736,709
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	**852,839**	761,737
Bad Debt Provision	**22,580**	6,075
Net Realized/Unrealized Gain (Loss) on Investments	**660,569**	(936,992)
Amortization of Deferred Debt Issuance Costs	**25,284**	25,324
Paycheck Protection Program Gain on Extinguishment of Debt	**-**	(1,215,559)
Gain on Sale of Asset	**(55,301)**	-
Noncash Memorial - Investment in Washburn Trust	**-**	73,961
Working Capital Changes Increasing (Decreasing) Cash:		
Inventory	**1,631**	12,050
Prepaid Expenses	**(75,587)**	(2,635)
Government Grant Receivable	**334,712**	(133,730)
Accounts Receivable	**34,912**	(37,024)
Promises to Give	**278,403**	120,803
Promises to Give - United Way	**(61,973)**	28,020
Accounts Payable	**(397,635)**	(219,506)
Accrued Personnel Expenses	**(286,056)**	(38,642)
Refundable Advance/Unearned Revenue	**119,091**	(101,868)
Net Cash Provided by Operating Activities	**434,109**	1,078,723
Cash Flows from Investing Activities		
Purchases of Property and Equipment	**(279,818)**	(818,005)
Proceeds from Sale of Fixed Asset	**55,301**	-
Purchases of Investments	**(1,440,827)**	(709,069)
Proceeds from Sale of Investments	**1,427,723**	729,295
Net Cash Used in Investing Activities	**(237,621)**	(797,779)
Cash Flows from Financing Activities		
Repayments on Long-Term Debt	**(379,115)**	(1,243,961)
Net Cash Used in Financing Activities	**(379,115)**	(1,243,961)
Decrease in Cash, Cash Equivalents and Restricted Cash	**(182,627)**	(963,017)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	**1,790,295**	2,753,312
Cash, Cash Equivalents and Restricted Cash - End of Year	**$ 1,607,668**	$ 1,790,295

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR YEARS ENDED JUNE 30, 2022 AND 2021

		2022		2021
Reconciliation of Cash and Restricted Cash:				
Cash	**$**	**1,193,192**	$	1,342,731
Restricted Cash - QALICB		**414,476**		447,564
Total Cash and Restricted Cash	**$**	**1,607,668**	$	1,790,295
Supplemental Disclosures of Noncash Operating and Investing Activities				
Purchases of Property and Equipment Included in Accounts Payable	**$**	**-**	$	450,922
Supplemental Disclosures of Cash Flow Information				
Cash Payment for Interest	**$**	**148,901**	$	195,160

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, 2022 AND 2021

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

Youth & Family Services, Inc. (YFS) conducts various activities serving Black Hills area youth including: 1) Girls Incorporated® of Rapid City, providing educational, recreational, and health outreach programs for girls, ages 6-17; 2) YFS Counseling Center, providing assessment, prevention and mental health counseling services for area youth and their families, and trauma assessment and treatment through the Youth Trauma Center; 3) YFS Child Development Center, providing licensed, quality, affordable childcare for children, ages 4 weeks - 14 years; 4) YFS Nutrition Services, providing or overseeing provision of more than 711,000 nutritious meals and snacks annually to children within agency programs, the Summer Food Program, and enrolled in Family Child Care homes in 21 counties through the Family Child Care Nutrition program; 5) YFS Rapid City Prenatal to Five Head Start, a comprehensive, federally-funded early childhood education and preschool program that enhances the physical, social, emotional, and intellectual development of low-income children, ages 0-5, and their families through classroom activities and home visits; 6) YFS Home-Based Prenatal to Five Head Start, a parent-focused early childhood education and preschool program offering home visits and at-home activities for low-income families with children, ages 0-5, in seven counties in western South Dakota; 7) YFS Western Prevention Resource Center, providing resources, research, training, and technical assistance to schools, prevention coalitions and other organizations in 24 counties for meth and other drugs, alcohol abuse and violence prevention; 8) the YFS Fatherhood First program, providing father-child activities, fatherhood education, and individual case management services that promote positive relationships between fathers and their children; and 9) Family Support and Advocacy programs providing case management and other services through the Intensive Family Services Program, relationship education for high school students and adults through the Stronger Family Program, and health advocacy services for boys, ages 4-17, through the Boys Health Program. All activities are deemed to fall under the program of serving youth. YFS is dependent on governmental grants to meet many of its program needs. For the year ended June 30, 2022, the Head Start grants comprised $7,329,477 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 consolidated 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements. Actual results could differ from those estimates.

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

Basis of Accounting and Financial Statement Presentation

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

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

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

Cash and Cash Equivalents

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

The Restricted Cash listed on the Consolidated 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:

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(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. The note receivable will be charged off as uncollectible when management feels they have exhausted all collection efforts. The allowance for note receivable losses is evaluated by management based upon collection history and current economic conditions. No allowance was deemed necessary at each of the years ended June 30, 2022 and 2021. The note receivable is evaluated annually for impairment. At June 30, 2022 and 2021, 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, 2022 or 2021. 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, 2022 and 2021 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, 2022 and 2021, receivables totaling **$43,324** and $50,491, 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, 2020 accounts receivable balance totaled $60,871.

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, Rent, and Auction items

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

Contributions of services that create or enhance non-financial assets or those that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. No significant amounts meeting this criteria were received in the years ended June 30, 2022 and 2021. The Organization receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the consolidated financial statements since it does not meet the criteria for recognition.

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

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, 2022 and 2021, YFS, the Foundation, and the QALICB believe no significant uncertain tax positions or liabilities exist.

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 October 31, 2022, the date which the consolidated financial statements were available to be issued.

Adopted Accounting Standard

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Organization adopted this standard during the year ended June 30, 2022, on a retroactive basis. This resulted in no change in reported net assets. Required note disclosures are included in Note 12.

Emerging Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB Accounting Standards Codification (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 consolidated financial statements.

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(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:

		2022		2021
Receivable in less than one year	**$**	**139,722**	$	238,996
Receivable in one to five years		**208,099**		399,270
Total unconditional promises to give		**347,821**		638,266
Less allowance for uncollectible promises to give		**(12,210)**		(20,512)
Less discounts to net present value (*)		**(9,273)**		(10,195)
Net unconditional promises to give	**$**	**326,338**	$	607,559

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

(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 **$227,625** and $219,406 for the years ended June 30, 2022 and 2021, 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 **$155,646** and $196,093 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, 2022 and 2021, respectively.

Future obligations of minimum rental payments of operating leases are as follows:

2023	$	18,396
2024		3,465

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

(a) Foundation net asset balances

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(5) Net Assets (Continued)

	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, 2022 AND 2021

(5) Net Assets (Continued)

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

	2022	2021
Property and Equipment, Net of Related Debt	**$ 4,674,492**	$ 4,893,682
General	**10,759,827**	11,431,811
Board Designated:		
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
Vehicle Repair	**43,129**	3,746
Building Repair	**10,999**	-
Child Development Center Transportation	**3,933**	3,933
Kid's Fair	**2,290**	2,290
Family Violence Prevention	**2,072**	2,072
	$ 16,763,443	$ 17,604,235

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

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

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

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(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, 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
Investment Return	-	8,885	90,350	99,235
Appropriations for Expenditure	-	(118,770)	(10,831)	(129,601)
Endowment Net Assets - June 30, 2022	**$ 246,518**	**$ 82,573**	**$ 1,312,046**	**$ 1,641,137**

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:

	2022	2021
Buildings	**$ 15,915,249**	$ 16,025,249
Buildings - Federal Reversionary Interest	**1,330,212**	1,330,212
Buildings - Foundation	**126,919**	126,919
Equipment and Vehicles- Federal Reversionary Interest	**2,872,403**	2,754,357
Equipment and Furnishings	**779,350**	669,350
Equipment and Furnishings - QALICB	**300,495**	300,495
Vehicles - Foundation	**34,100**	-
Vehicles	**668,822**	932,516
	22,027,550	22,139,098
Less Accumulated Depreciation	**6,349,890**	5,789,745
	15,677,660	16,349,353
Land	**744,468**	744,468
Land - QALICB	**412,066**	412,066
Land - Foundation	**73,669**	73,669
Construction in Progress *	**98,672**	-
	1,328,875	1,230,203
	$ 17,006,535	$ 17,579,556

***** The construction in progress has commitments of approximately $102,000 at June 30, 2022.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(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, 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**

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

Balance -- June 30, 2020	$ 275,326
Distributions	(73,961)
Balance -- June 30, 2021	201,365
Distributions	(201,365)
Balance -- June 30, 2022	**$ -**

(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.

YOUTH & FAMILY SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

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

	2022	2021
YFS Long-Term Debt:		
Note payable to bank (bridge loan), matures August 2025, interest payable quarterly at 6.25 percent. Annual principal payments of $162,332 due June each year. Secured by property and pledges for project.	**$ 196,250**	$ 575,364
QALICB Long-Term Debt:		
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)	**1,778,241**	1,778,242
	12,851,249	13,230,364
Less: Current Maturities	**(117,992)**	(135,259)
Less: Deferred Bond Issue Costs, Net of Accumulated Amortization	**(519,206)**	(544,490)
	$ 12,214,051	$ 12,550,615

(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.

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 was uncollateralized and 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:

2023	$ 117,992
2024	-
2025	-
2026	196,841
2027	413,721
Thereafter	11,603,489
	$ 12,332,043

YOUTH & FAMILY SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2022 AND 2021

(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:

	2022	2021
Cash and Cash Equivalents	**$ 1,193,192**	$ 1,342,731
Government Grant Funds Receivable	**1,024,536**	1,359,248
Accounts Receivable	**37,918**	92,592
Investments	**3,889,218**	4,536,683
Promises to Give	**436,238**	655,486
Total Financial Assets	**6,581,102**	7,986,740
Less: Net Assets Without Donor Restriction - Board-Designated	**1,329,124**	1,278,742
Less: Net Assets With Time/Purpose Restrictions	**1,134,610**	1,392,697
Less: Net Assets With Perpetual Restrictions	**1,312,046**	1,232,527
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	**$ 2,805,322**	$ 4,082,774

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

(10) Refundable Advance and Unearned Revenue

Included in refundable advances and unearned revenue within the Consolidated Statements of Financial Position are sponsorship and vendor fees associated with the next Kid's Fair totaling **$-0-** and $11,960, program fees of **$23,698** and $3,621, and grant funds advanced totaling **$110,974** and $-0- for the years ended June 30, 2022 and 2021, respectively. The beginning unearned revenue at July 1, 2020 totaled $117,449. 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, 2022, conditional promises to give totaled approximately **$12,300,000** and are not recorded in the consolidated financial statements.

(12) In-Kind Contributions

Contributed nonfinancial assets, other than rent, include auction items for special events totaling **$37,672** and $26,999 for the years ended June 30, 2022 and 2021, respectively. Donated auction items are auctioned to attendees of the annual fundraising dinner. The items are valued at the sale price received during the auction on the day of the event. Most donations are not donor restricted.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Current Assets					
Cash and Cash Equivalents	$ 1,055,828	$ 137,364	$ -	$ -	**$ 1,193,192**
Restricted Cash	-	-	414,476	-	**414,476**
Inventory	13,516	-	-	-	**13,516**
Prepaid Expenses	86,432	600	-	-	**87,032**
Government Grant Funds Receivable	1,024,536	-	-	-	**1,024,536**
Accounts Receivable - Fees and Other, Net of Allowance of **$29,090** at June 30, 2022	37,918	-	-	-	**37,918**
Promises to Give -- United Way	109,900	-	-	-	**109,900**
Promises to Give -- Current Portion	-	139,722	-	-	**139,722**
Total Current Assets	**2,328,130**	**277,686**	**414,476**	**-**	**3,020,292**
Property and Equipment	11,255,915	234,689	11,865,821	-	**23,356,425**
Less Accumulated Depreciation	5,501,260	24,138	824,492	-	**6,349,890**
Total Property and Equipment, Net	**5,754,655**	**210,551**	**11,041,329**	**-**	**17,006,535**
Other Assets					
Promises to Give, Net of Current Portion, Allowance and Discount	-	186,616	-	-	**186,616**
Investments	1,197,013	2,692,205	-	-	**3,889,218**
Note Receivable	8,646,417	-	-	-	**8,646,417**
Total Other Assets	**9,843,430**	**2,878,821**	**-**	**-**	**12,722,251**
TOTAL ASSETS	**$ 17,926,215**	**$ 3,367,058**	**$ 11,455,805**	**$ -**	**$ 32,749,078**

LIABILITIES AND NET ASSETS	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	Total
Current Liabilities					
Current Maturities of Long-Term Debt	$ 117,992	$ -	$ -	$ -	**$ 117,992**
Accounts Payable	366,102	584	-	-	**366,686**
Accrued Personnel Expenses	705,578	-	-	-	**705,578**
Refundable Advance and Unearned Revenue	134,672	-	-	-	**134,672**
Total Current Liabilities	**1,324,344**	**584**	**-**	**-**	**1,324,928**
Long-Term Debt, Net of Current Maturities	**50,479**	**-**	**12,163,572**	**-**	**12,214,051**
Net Assets					
Without Donor Restriction					
Property and Equipment, Net of Related Debt	5,586,184	210,551	(1,122,243)	-	**4,674,492**
General	9,377,333	968,018	414,476	-	**10,759,827**
Board Designated	850,811	478,313	-	-	**1,329,124**
Total Without Donor Restriction	15,814,328	1,656,882	(707,767)	-	**16,763,443**
With Donor Restrictions - Time or Purpose	687,064	447,546	-	-	**1,134,610**
With Donor Restrictions - Perpetual	50,000	1,262,046	-	-	**1,312,046**
Total With Donor Restrictions	737,064	1,709,592	-	-	**2,446,656**
Total Net Assets	**16,551,392**	**3,366,474**	**(707,767)**	**-**	**19,210,099**
TOTAL LIABILITIES AND NET ASSETS	**$ 17,926,215**	**$ 3,367,058**	**$ 11,455,805**	**$ -**	**$ 32,749,078**

YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
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CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	**Total**
Support and Revenues					
Grants	$11,734,539	$ -	$ -	$ -	**$ 11,734,539**
Investment Return:					
Net Realized/Unrealized Gain on Investments	(202,589)	(457,980)	-	-	**(660,569)**
Interest and Dividends	124,726	48,970	318	-	**174,014**
Distribution from Black Hills Community Foundation	-	13,883	-	-	**13,883**
Capital Gains	2,787	8,314	-	-	**11,101**
Royalties	3,707	-	-	-	**3,707**
Brokerage Fees	(10,426)	(22,712)	-	-	**(33,138)**
Contributions	1,143,976	388,012	-	(559,272)	**972,716**
Program Service Fees	827,612	-	-	-	**827,612**
Donated Rental Facilities	155,646	-	-	-	**155,646**
Miscellaneous	3,246	-	-	-	**3,246**
Gain on Sale of Asset	55,301	-	-	-	**55,301**
Kid's Fair	127,762	-	-	-	**127,762**
Dinner Theatre Contributions	10,894	-	-	-	**10,894**
Dinner Theatre Auction - In-Kind	37,672	-	-	-	**37,672**
Membership Dues	21,467	-	-	-	**21,467**
Rental Income	-	17,242	158,456	(158,456)	**17,242**
Dr. Lemley Trust Funds	29,528	-	-	(29,528)	**-**
Contract Service Fees	84,014	-	-	(84,014)	**-**
Total Support and Revenues	**14,149,862**	**(4,271)**	**158,774**	**(831,270)**	**13,473,095**

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, 2022

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	**Total**
Expenses					
Salaries	$ 7,798,048	$ -	$ -	$ -	**$ 7,798,048**
Supplies	908,465	5,248	-	-	**913,713**
Fringe Benefits	886,903	-	-	-	**886,903**
Depreciation	522,135	5,022	325,682	-	**852,839**
Family Child Care Payments	847,737	-	-	-	**847,737**
Professional and Contracted Services	586,068	90,317	91,657	(84,014)	**684,028**
Payroll Taxes	580,377	-	-	-	**580,377**
Food	271,953	-	-	-	**271,953**
Rent	361,696	-	-	(158,456)	**203,240**
Utilities	254,214	34	-	-	**254,248**
Interest	33,658	-	115,243	-	**148,901**
Insurance	182,576	3,575	1,278	-	**187,429**
Travel and Conferences	166,976	-	-	-	**166,976**
Promotion	103,444	-	-	-	**103,444**
Repairs and Maintenance	357,272	334	-	-	**357,606**
Telephone	33,768	-	-	-	**33,768**
Transportation	83,558	-	-	-	**83,558**
Office Supplies and Postage	18,621	296	11	-	**18,928**
Other	21,527	-	-	-	**21,527**
Dues and Subscriptions	23,160	-	-	-	**23,160**
Excursions	18,590	-	-	-	**18,590**
Miscellaneous	6,581	-	185	-	**6,766**
Bad Debt Provision	19,762	2,818	-	-	**22,580**
Parent Activity	6,136	-	-	-	**6,136**
Donation Expense	-	588,800	-	(588,800)	**-**
Total Expenses	**14,093,225**	**696,444**	**534,056**	**(831,270)**	**14,492,455**
Increase (Decrease) in Net Assets	**56,637**	**(700,715)**	**(375,282)**	**-**	**(1,019,360)**
Net Assets - Beginning of Year	16,494,755	4,067,189	(332,485)	-	20,229,459
Net Assets - End of Year	**16,551,392**	**3,366,474**	**(707,767)**	**-**	**19,210,099**

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

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	**Total**
Cash Flows from Operating Activities					
Increase (Decrease) in Net Assets	$ 56,637	$ (700,715)	$ (375,282)	$ -	**$ (1,019,360)**
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	522,135	5,022	325,682	-	**852,839**
Bad Debt Provision	19,762	2,818	-	-	**22,580**
Net Realized/Unrealized Loss on Investments	202,589	457,980	-	-	**660,569**
Amortization of Deferred Debt Issuance Costs	8,772	-	16,512	-	**25,284**
Gain on Sale of Asset	(55,301)	-	-	-	**(55,301)**
Working Capital Changes Increasing (Decreasing) Cash:					
Inventory	1,631	-	-	-	**1,631**
Prepaid Expenses	(75,587)	-	-	-	**(75,587)**
Government Grant Receivable	334,712	-	-	-	**334,712**
Accounts Receivable	34,912	-	-		**34,912**
Promises to Give	-	278,403	-	-	**278,403**
Promises to Give - United Way	(61,973)	-	-	-	**(61,973)**
Accounts Payable	(398,219)	584	-		**(397,635)**
Accrued Personnel Expenses	(286,056)	-	-	-	**(286,056)**
Refundable Advance/Unearned Revenue	119,091	-	-	-	**119,091**
Net Cash Provided by (Used in) Operating Activities	**423,105**	**44,092**	**(33,088)**	**-**	**434,109**
Cash Flows from Investing Activities					
Purchases of Property and Equipment	(245,718)	(34,100)	-	-	**(279,818)**
Proceeds from Sale of Fixed Asset	55,301	-	-	-	**55,301**
Purchases of Investments	(485,437)	(955,390)	-	-	**(1,440,827)**
Proceeds from Sale of Investments	471,718	956,005	-	-	**1,427,723**
Net Cash Provided by (Used in) Investing Activities	**(204,136)**	**(33,485)**	**-**	**-**	**(237,621)**

YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
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CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	**Total**
Net Cash Provided by (Used in) Financing Activities					
Repayments on Long-Term Debt	(379,115)	-	-	-	**(379,115)**
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(160,146)**	**10,607**	**(33,088)**	**-**	**(182,627)**
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	1,215,974	126,757	447,564	-	1,790,295
Cash, Cash Equivalents and Restricted Cash - End of Year	**$ 1,055,828**	**$ 137,364**	**$ 414,476**	**$ -**	**$ 1,607,668**
Reconciliation of Cash and Restricted Cash:					
Cash	$ 1,055,828	$ 137,364	$ -	$ -	**$ 1,193,192**
Restricted Cash - QALICB	-	-	414,476	-	**414,476**
Total Cash and Restricted Cash	**$ 1,055,828**	**$ 137,364**	**$ 414,476**	**$ -**	**$ 1,607,668**
Supplemental Disclosures of Cash Flow Information					
Cash Payment for Interest	$ 33,658	$ -	$ 115,243	$ -	**$ 148,901**

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, 2022

	Assistance Lising Numbers	Grant Identifying Number	Amount
U.S. Department of Agriculture:			
Passed through the S.D. Department of Education:			
Child and Adult Care Food Program (CACFP) (Note 2)	10.558	N/A	$ 1,246,571
CACFP Emergency Funds - COVID	10.558	N/A	44,389
Farm to School	10.575	N/A	50,000
Child Nutrition Cluster (Note 2):			
Summer Food Service Program for Children	10.559	N/A	176,562
Total U.S. Department of Agriculture			1,517,522
U.S. Department of Justice:			
Passed through the S.D. Department of Social Services:			
Crime Victim Assistance	16.575	N/A	92,309
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	147,283
Total U.S. Department of Justice			239,592
U.S. Department of Education:			
Passed through S.D. Department of Education:			
21st Century Community Learning Centers	84.287C	S287C190042	257,332
Total U.S. Department of Education			257,332
U.S. Department of Housing and Urban Development:			
Passed through the City of Rapid City:			
Entitlement Grants Cluster:			
Community Development Block Grant Entitlement Funds -COVID	14.218	N/A	6,961
Total U.S. Department of Housing and Urban Development			6,961

YOUTH & FAMILY SERVICES, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	Assistance Lising Numbers	Grant Identifying Number	Amount
U.S. Department of Health and Human Services:			
Direct Funding:			
Head Start Cluster:			
Head Start 0-5 and Early Head Start	93.600	N/A	5,874,807
Head Start 0-5 and Early Head Start CARES	93.600	N/A	307,153
Head Start CARES	93.600	N/A	62,766
Head Start 0-3 and Early Head Start Expansion	93.600	N/A	1,084,751
Total Head Start Cluster			7,329,477
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	1,026,404
American Rescue Plan Act (ARPA) COVID Stabilization	93.575	N/A	166,393
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5U79SM063086-04	127,861
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	43,057
Drug Free Communities (DFC) Support Program	93.276	N/A	143,008
Total			1,506,723
Total U.S. Department of Health and Human Services			8,836,200
Total			**$ 10,857,607**

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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

Note 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 3: The 10% de minimis indirect cost rate was not elected.

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

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Telephone (605) 342-5630 • e-mail: info@ktllp.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **YOUTH & FAMILY SERVICES, INC.** (**YFS**), **YOUTH & FAMILY SERVICES FOUNDATION** (**the Foundation**), and **YOUTH & FAMILY SERVICES QALICB, INC.** (**the QALICB**), collectively, the Organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

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

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2022-001 and #2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

Ketel Thorstenson, LLP

KETEL THORSTENSON, LLP
Certified Public Accountants

October 31, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited **YOUTH & FAMILY SERVICES, INC.** (**YFS**), **YOUTH & FAMILY SERVICES FOUNDATION** (**the Foundation**), and **YOUTH & FAMILY SERVICES QALICB, INC.** (**the QALICB**), collectively, the Organization, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

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

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

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

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

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

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings as #2022-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item #2022-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as #2022-003 to be a significant deficiency.

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

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

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

KETEL THORSTENSON, LLP
Certified Public Accountants

October 31, 2022

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

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the consolidated financial statements.
2. Two material weaknesses were disclosed during the audit of the consolidated financial statements and are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements in Accordance with *Government Auditing Standards.*
3. No instances of noncompliance material to the consolidated financial statements were disclosed during the audit.
4. Findings disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award program for the Organization expresses an unmodified opinion on all major programs listed in #7.
6. Audit findings related to the major federal award program for the Organization are reported in Part C of this schedule.
7. The programs tested as a major programs were the Head Start Cluster – ALN #93.600., Child and Adult Care Food Program – ALN #10.558, and Healthy Marriages – ALN #93.086
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

<u>#2022-001 FINDING: Financial Statement Preparation</u>

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

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

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

Repeat Finding from Prior Year: Yes, revision of prior year finding #2021-001.

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 consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

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

SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

<u>#2022-002 FINDING: Audit and SEFA Adjustments</u>

Federal Programs Affected: Head Start/ALN #93.600; Child and Adult Care Food Program (CACFP)/ALN #10.558

Compliance Requirement: Allowable Costs

Questioned Costs: $55,615 known questioned costs.

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

Criteria and Effect: These adjustments were not identified as a result of the Organization's existing internal controls, and therefore, could have resulted in a material misstatement of the Organization's consolidated financial statements or noncompliance with federal programs. One adjustment related to a Head Start expenditure for a cloud-based teaching curriculum subscription covering a 5-year period. Curriculum expenditures are allowable costs for Head Start, but Head Start agencies cannot charge 5 years of cost to one grant period. An audit adjustment was made to properly record the expenditure as a prepaid expense, and Head Start expenditures reported in the SEFA were also reduced by the $55,615 of prepaid costs.

Repeat Finding from Prior Year: Yes, revision of prior year finding #2021-002.

Recommendation: We recommend the following:

- Investments be adjusted to actual.
- Prepaid contracts be recorded as an asset upon payment and expensed over the life of the service contract.
- Record deferred revenue for unspent conditional funding
- The Organization work with Head Start representatives to return the funds drawn down for the prepaid costs or reduce future draw requests.

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

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

Finding 2022-002 listed in Part B related to major programs as noted in each finding.

SIGNIFICANT DEFICIENCY

<u>#2021-003 FINDING: Eligibility</u>

Federal Program Affected: Child and Adult Care Food Program/ALN #10.558

Compliance Requirement: Eligibility

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

Condition and Cause: One child tested for eligibility was being charged for reimbursement at a free rate of $3.92, however the Organization was only eligible to receive reimbursement for this child at a paid rate of $0.62. The cause of this error was a result of the child being formerly enrolled in the Head Start program and upon disenrollment, the Organization failed to update the child's status to a paid rate.

YOUTH & FAMILY SERVICES, INC.
YOUTH & FAMILY SERVICES FOUNDATION
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SCHEDULE OF FINDINGS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

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

SIGNIFICANT DEFICIENCY (CONTINUED)

#2021-003 FINDING: Eligibility (Continued)

Criteria and Effect: The CACFP requires the Organization to appropriately track eligibility for students enrolled in the program. The Organization currently does not have a control to switch students CACFP status if Head Start eligibility changes.

Repeat Finding from Prior Year: N/A

Recommendation: We recommend the Organization develop an internal control to track eligibility for Head Start students who become ineligible for Head Start.

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

MANAGEMENT RESPONSE

Youth & Family Services

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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, 2022

Youth & Family Services, Inc. respectfully submits the following summary schedule of prior audit 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

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

Initial Year Report: 2019

Reasons for Recurrence and Corrective Action Plan: As the Organization has accepted the risk associated with the auditor's preparing of the consolidated financial statements, it will be repeated in 2022, see Corrective Action Plan.

Finding No. 2021-002: 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.

Finding No. 2021-003: Written Approval for Major Renovations

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

Initial Year Report: 2021

Reasons for Recurrence and Corrective Action Plan: N/A

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CORRECTION ACTION PLAN
JUNE 30, 2022

Youth & Family Services, Inc. respectfully submits the following corrective action plan regarding findings from the June 30, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

Finding No. 2022-001: Financial Statement and SEFA 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 consolidated financial statements and SEFA and will continue to have the independent auditor prepare the annual consolidated financial statements.

Anticipated Completion Date: Ongoing

Finding No. 2022-002: Audit and SEFA Adjustments

Responsible Individuals: Kari Williams, Chief Financial Officer

Corrective Action Plan: The Organization has communicated with OHS officials to confirm expectations regarding prepaid contracts. The Organization will follow the guidance of OHS and will record prepaid contracts according to GAAP rules. The Organization will receive and implement guidance from OHS to correct the draw and use of funds related to the current situation. Going forward, per the HHS Grants Policy Statement, the Organization will confirm with OHS if an exception related to handling a specific prepaid service contract is appropriate and allowed.

Anticipated Completion Date: Ongoing

Finding No. 2022-003: Eligibility

Responsible Individuals: Darcie Decker, Nutrition Services and Community Outreach Director

Corrective Action Plan: The Organization is aware of the eligibility finding and is working to correct all known errors and develop a system to prevent future occurrences.

Anticipated Completion Date: Current fiscal year