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March 24, 2026

Kari Williams, Chief Financial Officer
Youth and Family Services
PO Box 2813
Rapid City SD 57709

RE: Management Decision on Single Audit Report for the Year ended June 30, 2025

Dear Ms. Williams:

The Department of Education (DOE) has reviewed the Youth and Family Services single audit report for the fiscal year ended June 30, 2025. This letter provides the DOE's management decision on the audit findings and the organization's proposed corrective action plan related to the federal awards administered by the DOE.

Finding Number 2025-002: A reimbursement request included 89 snacks, but the actual snacks per supporting documentation was 69. The total value of the error was \$24.20 out of a sample of \$2,705. The total population for the center food program is \$441,778. The error was not identified by review processes in place.

DOE Management Decision: The DOE sustains the independent auditor's findings and accepts the Youth and Family Service's corrective action plan outlined in the audit report, with the understanding that Youth and Family services will implement the new attendance form and enhanced review process for reimbursement requests.

If you have any questions or concerns, please feel free to contact Tacy McMillin at (605)-773-3171.

Sincerely,

Cody Stoeser, Director
Division of Finance and Management

cc: John Julius, Chief Executive Officer



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C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
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RUSSELL A. OLSON
AUDITOR GENERAL

Date: February 23, 2026

To: SD Department of Education
SD State Board of Internal Control

Re: Audit Report on – Youth and Family Services, Inc., Youth & Family Services
Foundation and Youth & Family Services QALICB, Inc.
As of and for the year ended June 30, 2025
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 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 finding(s) and/or questioned costs pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See reference to federal finding(s) on page 31 with the finding(s) appearing on page 32.

Please contact us if you have any questions.

Sincerely,

Russell A. Olson
Auditor General

RAO:sld

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, 2025 AND 2024



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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youth & Family Services, Inc.
Youth & Family Services Foundation
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, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Youth & Family Services, Inc., Youth & Family Services Foundation, and Youth & Family Services QALICB, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Board of Directors

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 January 8, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 8, 2026

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and Cash Equivalents	\$ 2,036,489	\$ 1,813,069
Restricted Cash	337,959	364,708
Inventory	17,517	20,574
Prepaid Expenses	86,529	105,910
Government Grant Funds Receivable	1,076,982	1,229,149
Accounts Receivable - Fees and Other, Net of Allowance of \$9,565 and \$7,000 at June 30, 2025 and 2024, Respectively	72,290	62,808
Promises to Give -- United Way	68,292	94,417
Promises to Give -- Current	49,399	838,812
Total Current Assets	3,745,457	4,529,447
Property, Equipment, and Construction in Progress	25,535,382	25,082,668
Less Accumulated Depreciation	8,639,573	7,625,282
Total Property and Equipment, Net	16,895,809	17,457,386
Other Assets		
Promises to Give, Net of Current Portion, Allowance and Discount	29,682	97,920
Investments	8,479,315	6,204,092
Note Receivable	8,646,417	8,646,417
Total Other Assets	17,155,414	14,948,429
 TOTAL ASSETS	 \$ 37,796,680	 \$ 36,935,262

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 261,104	\$ 341,693
Accrued Personnel Expenses	826,478	797,135
Current Maturities of Long-Term Debt	196,841	-
Unearned Revenue	23,546	18,321
Refundable Advance	18,990	-
Total Current Liabilities	1,326,959	1,157,149

Long-Term Debt	12,016,668	12,196,863
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Net Assets

Without Donor Restriction

Property and Equipment, Net of Related Debt	4,682,300	5,260,523
General	13,199,076	12,019,027
Board Designated	3,766,112	3,713,409
Total Without Donor Restriction	21,647,488	20,992,959

With Donor Restrictions - Time or Purpose	899,267	962,409
With Donor Restrictions - Perpetual	1,906,298	1,625,882
Total With Donor Restrictions	2,805,565	2,588,291
Total Net Assets	24,453,053	23,581,250

TOTAL LIABILITIES AND NET ASSETS	\$ 37,796,680	\$ 36,935,262
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**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, 2025**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 12,913,861	205,360	\$ -	\$ 13,119,221
<i>Investment Return :</i>				
Net Realized/Unrealized Gain on Investments	529,585	85,305	58,372	673,262
Interest and Dividends	289,470	39,241	11,539	340,250
Earnings from Black Hills Community Foundation	20,154	-	-	20,154
Royalties	2,455	-	-	2,455
Brokerage Fees	(41,534)	(6,925)	(4,014)	(52,473)
Contributions	1,030,115	84,558	242,889	1,357,562
Program Service Fees	992,051	-	-	992,051
Donated Rental Facilities	74,589	-	-	74,589
Miscellaneous	28,875	-	-	28,875
Kid's Fair	152,437	-	-	152,437
Dinner Theatre	63,554	-	-	63,554
Dinner Theatre Auction - In-Kind	56,273	-	-	56,273
Membership Dues	30,826	-	-	30,826
Net Assets Released from Restrictions	499,051	(470,681)	(28,370)	-
Total Support and Revenues	16,641,762	(63,142)	280,416	16,859,036
Expenses				
Program Services	13,916,255	-	-	13,916,255
<i>Supporting Services</i>				
Administrative	1,542,289	-	-	1,542,289
Fundraising	528,689	-	-	528,689
Total Expenses	15,987,233	-	-	15,987,233
Increase (Decrease) in Net Assets	654,529	(63,142)	280,416	871,803
Net Assets - Beginning	20,992,959	962,409	1,625,882	23,581,250
Net Assets - Ending	\$ 21,647,488	\$ 899,267	\$ 1,906,298	\$ 24,453,053

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, 2024**

	Without Donor Restriction	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Support and Revenues				
Grants	\$ 13,062,226	\$ 132,237	\$ -	\$ 13,194,463
<i>Investment Return :</i>				
Net Realized/Unrealized Gain on Investments	196,277	111,243	200,689	508,209
Interest and Dividends	165,714	81,844	-	247,558
Earnings from Black Hills Community Foundation	19,660	-	-	19,660
Royalties	3,779	-	-	3,779
Brokerage Fees	(7,804)	(23,600)	-	(31,404)
Contributions	2,866,647	209,071	-	3,075,718
In-Kind Contributions	1,070,000	-	-	1,070,000
Program Service Fees	1,131,607	-	-	1,131,607
Donated Rental Facilities	76,039	-	-	76,039
Miscellaneous	31,164	-	-	31,164
Gain on Sale of Asset	29,308	-	-	29,308
Kid's Fair	132,793	-	-	132,793
Dinner Theatre	48,380	-	-	48,380
Dinner Theatre Auction - In-Kind	35,246	-	-	35,246
Membership Dues	37,001	-	-	37,001
Net Assets Released from Restrictions	552,559	(545,043)	(7,516)	-
Total Support and Revenues	19,450,596	(34,248)	193,173	19,609,521
Expenses				
Program Services	13,645,359	-	-	13,645,359
<i>Supporting Services</i>				
Administrative	1,467,154	-	-	1,467,154
Fundraising	448,805	-	-	448,805
Total Expenses	15,561,318	-	-	15,561,318
Increase (Decrease) in Net Assets	3,889,278	(34,248)	193,173	4,048,203
Net Assets - Beginning	17,103,681	996,657	1,432,709	19,533,047
Net Assets - Ending	\$ 20,992,959	\$ 962,409	\$ 1,625,882	\$ 23,581,250

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, 2025**

	Program	Administrative	Fundraising	Total
Salaries	\$ 7,260,193	\$ 963,332	\$ 362,323	\$ 8,585,848
Depreciation	994,576	22,023	4,883	1,021,482
Fringe Benefits	847,054	112,393	42,273	1,001,720
Supplies	923,432	869	18,113	942,414
Family Child Care Payments	875,165	-	-	875,165
Professional and Contracted Services	588,421	169,677	67,072	825,170
Payroll Taxes	535,810	71,095	26,740	633,645
Food	313,450	-	-	313,450
Insurance	286,449	14,574	-	301,023
Travel and Conferences	251,241	14,552	-	265,793
Repairs and Maintenance	258,573	2,773	-	261,346
Utilities	249,843	3,256	-	253,099
Rent	189,692	-	-	189,692
Promotion	140,711	17,056	-	157,767
Interest	-	116,351	-	116,351
Transportation	67,243	2,239	-	69,482
Telephone	53,760	535	-	54,295
Office Supplies and Postage	3,848	30,820	-	34,668
Dues and Subscriptions	23,128	744	680	24,552
Parent Activity	16,236	-	-	16,236
Miscellaneous	15,579	-	-	15,579
Credit Loss	8,871	-	6,605	15,476
Excursions	9,865	-	-	9,865
Grant Specific Activities	3,115	-	-	3,115
Total Expenses	\$ 13,916,255	\$ 1,542,289	\$ 528,689	\$ 15,987,233

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, 2024**

	Program	Administrative	Fundraising	Total
Salaries	\$ 7,032,413	\$ 930,554	\$ 293,946	\$ 8,256,913
Depreciation	952,984	20,445	3,870	977,299
Fringe Benefits	872,293	115,435	36,464	1,024,192
Supplies	1,090,323	546	24,735	1,115,604
Family Child Care Payments	849,132	-	-	849,132
Professional and Contracted Services	503,114	140,825	66,521	710,460
Payroll Taxes	518,406	68,597	21,669	608,672
Food	305,201	-	-	305,201
Insurance	234,220	14,314	-	248,534
Travel and Conferences	271,940	10,687	1,600	284,227
Repairs and Maintenance	192,325	2,423	-	194,748
Utilities	228,904	2,979	-	231,883
Rent	176,833	-	-	176,833
Promotion	195,141	16,876	-	212,017
Interest	-	115,695	-	115,695
Transportation	72,988	1,877	-	74,865
Telephone	60,217	528	-	60,745
Office Supplies and Postage	13,466	18,953	-	32,419
Dues and Subscriptions	27,756	230	-	27,986
Parent Activity	17,039	-	-	17,039
Miscellaneous	15,748	-	-	15,748
Credit Loss (Recovery)	(2,198)	6,190	-	3,992
Excursions	11,202	-	-	11,202
Grant Specific Activities	5,912	-	-	5,912
Total Expenses	\$ 13,645,359	\$ 1,467,154	\$ 448,805	\$ 15,561,318

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, 2025 AND 2024**

	2025	2024
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 871,803	\$ 4,048,203
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	1,021,482	977,299
Credit Losses	1,302	(8,810)
Noncash Donation	-	(1,070,000)
Net Realized/Unrealized Gain on Investments	(673,262)	(508,209)
Amortization of Deferred Debt Issuance Costs	16,646	16,645
Gain on Sale of Asset	-	(29,308)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Inventory	3,057	(7,710)
Prepaid Expenses	19,381	(4,051)
Government Grant Receivable	152,167	(92,244)
Accounts Receivable	(12,047)	6,521
Promises to Give	858,914	(717,531)
Promises to Give - United Way	26,125	(19,250)
Accounts Payable	(80,589)	19,448
Accrued Personnel Expenses	29,343	26,665
Refundable Advance	18,990	-
Unearned Revenue	5,225	(9,931)
Net Cash Provided by Operating Activities	2,258,537	2,627,737
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(459,905)	(540,646)
Proceeds from Sale of Equipment	-	29,308
Purchases of Investments	(2,706,943)	(6,084,013)
Proceeds from Sale of Investments	1,104,982	4,666,758
Net Cash Used in Investing Activities	(2,061,866)	(1,928,593)
Change in Cash, Cash Equivalents and Restricted Cash	196,671	699,144
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	2,177,777	1,478,633
Cash, Cash Equivalents and Restricted Cash - End of Year	\$ 2,374,448	\$ 2,177,777
Reconciliation of Cash and Restricted Cash:		
Cash	\$ 2,036,489	\$ 1,813,069
Restricted Cash - QALICB	337,959	364,708
Total Cash and Restricted Cash	\$ 2,374,448	\$ 2,177,777
Supplemental Disclosures of Noncash Operating and Investing Activities		
Building and Land Donation	\$ -	\$ 1,070,000
Supplemental Disclosures of Cash Flow Information		
Cash Payment for Interest	\$ 116,351	\$ 115,695

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, 2025 AND 2024**

(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 - 9 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 31 counties through the Family Child Care Nutrition program; 5) YFS Rapid City Prenatal to Five Head Start, a comprehensive, federally-funded early childhood education and preschool program that enhances the physical, social, emotional, and intellectual development of low-income children, ages 0-5, and their families through classroom activities and home visits; 6) YFS Home-Based Prenatal to Five Head Start, a parent-focused early childhood education and preschool program offering home visits and at-home activities for low-income families with children, ages 0-5, in seven counties in western South Dakota; 7) YFS Western Prevention Resource Center, providing resources, research, training, and technical assistance to schools, prevention coalitions and other organizations in 24 counties for meth and other drugs, alcohol abuse and violence prevention; 8) the YFS Fatherhood First program, providing father-child activities, fatherhood education, and individual case management services that promote positive relationships between fathers and their children; and 9) Family Support and Advocacy programs providing case management and other services through the Intensive Family Services Program, relationship education for high school students and adults through the Stronger Family Program, and health advocacy services for boys, ages 4-17, through the Boys Health Program. All activities are deemed to fall under the program of serving youth. YFS is dependent on governmental grants to meet many of its program needs. For the years ended June 30, 2025 and 2024, the Head Start grants comprised \$8,802,891 and \$8,779,292 of government grant revenues, respectively. The Family Child Care Nutrition program is funded entirely by the Child & Adult Care Food Program through the South Dakota Department of Education & Cultural Affairs. Sources of revenue for other YFS programs include individual contributions, United Way funding, fees, and interest income from two trust funds and an endowment, fundraiser proceeds, corporate and foundation grants, as well as city, state, and federal grants.

Youth & Family Services Foundation (the Foundation) was created to help provide long-term financial security and stability for YFS. The Foundation's sole purpose is to provide funding for the programs and services of YFS and ensure YFS services provided to children and families continue uninterrupted. The Foundation includes two single member limited liability companies, Bright Futures, LLC and Shining Onward, LLC. Both LLCs hold property for the benefit of the Foundation and YFS.

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

Principles of Consolidation

The consolidated financial statements include the accounts of Youth & Family Services, Inc., Youth & Family Services Foundation, and Youth & Family Services QALICB, Inc., collectively the Organization. The Foundation and QALICB are consolidated as YFS has control and an economic interest in each entity. All material inter-organization transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements. Actual results could differ from those estimates.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(1) Nature of Activities and Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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

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

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

Cash and Cash Equivalents

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

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

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. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(1) Nature of Activities and Significant Accounting Policies

Investments

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

Fair value is defined as the exchange 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. Fair value measurements are classified according to a three-level fair value hierarchy based on the quality of inputs used to measure fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are defined as follows:

- Level One: Observable inputs such as quoted market prices for identical assets or liabilities in active markets. These are highly liquid and actively traded instruments.
- Level Two: Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs that are derived principally from or corroborated by observable market data either directly or indirectly for substantially the full term of the instrument. These are traded less frequently than exchange-traded instruments and are typically valued using third-party brokerage services.
- Level Three: Inputs are based on prices or valuation techniques that are unobservable. These typically require significant management judgment or estimation.

The Organization uses net asset value (NAV) to determine the fair value of underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company, or have the attributes of an investment company. There are investments based on the Organization's evaluation of independent pricing sources, which utilize various modeling and valuation techniques, such as net asset valuations. Significant unobservable inputs are inherent in the nature of these investments. Due to the use of unobservable inputs and the level of risk associated with such inputs, it is at least reasonably possible that changes in values of investments will occur in the near term.

Leases

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(1) Nature of Activities and Significant Accounting Policies

Note Receivable

The note receivable is stated at the unpaid principal balance. Interest is recognized over the term of the notes and is calculated using the simple-interest method on the principal balance outstanding. Payments not received in accordance with the terms of the note agreements are considered past due. Notes receivable are placed on nonaccrual status when management believes, after considering economic conditions and the repayment ability of the individual, that the loan is impaired, or collection of interest is doubtful. Impairment occurs when it is probable that contractual interest and principal due in accordance with the note agreements will not be collected. No impairment has occurred at June 30, 2025 or 2024.

Management estimates an allowance for credit losses based on an analysis of historical loss experience and current receivables aging. This estimate is adjusted for an assessment of current conditions, reasonable and supportable expectations of future conditions, and any other factors deemed relevant by management. The Organization has historically had no losses on notes receivable. No adjustment for current or future conditions was deemed necessary based on an analysis of the borrower's financial condition and economic factors that could affect this. As such, no material allowance for credit losses exists, and no amount was recorded at June 30, 2025 or 2024.

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, 2025 or 2024. 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, 2025 and 2024 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. No interest income is recognized on past due amounts. At June 30, 2025 and 2024, receivables totaling \$51,108 and \$30,155 respectively, are over thirty days delinquent. The year beginning July 1, 2023 accounts receivable balance totaled \$64,329.

Management estimates an allowance for credit losses based on an analysis of historical loss experience and current receivables aging. This estimate is adjusted for an assessment of current conditions, reasonable and supportable expectations of future conditions, and any other factors deemed relevant by management. The Organization believes historical loss information is a reasonable starting point for calculating the expected allowance for credit losses as its class of customers remains consistent from year-to-year. No adjustment was deemed necessary to historical loss information as future conditions are anticipated to remain stable and not have a significant impact on customers. The Organization assesses collectability by pooling receivables where similar characteristics exist and evaluating receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. The allowance for credit losses was not material at June 30, 2025 or 2024.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(1) Nature of Activities and Significant Accounting Policies

Revenue Recognition

Program Service Fees and Accounts Receivable

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

Contributions and Promises to Give

Contributions of cash 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. 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 in advance of meeting the conditions are recognized as refundable advances. 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, 2025 and 2024. The Organization receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the consolidated financial statements since it does not meet the criteria for recognition.

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

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
JUNE 30, 2025 AND 2024**

(1) Nature of Activities and Significant Accounting Policies

Federal Income Tax

YFS, the Foundation (including Bright Futures, LLC and Shining Onward, 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, 2025 and 2024, YFS, the Foundation, and the QALICB believe no significant uncertain tax positions or liabilities exist.

Subsequent Events

Management has assessed YFS, the Foundation, and the QALICB for significant subsequent events through January 8, 2026 the date which the consolidated financial statements were available to be issued.

(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, excluding those from United Way, are as follows at June 30:

	2025	2024
Receivable in less than one year	\$ 49,399	\$ 838,812
Receivable in one to five years	33,376	104,352
Total unconditional promises to give	82,775	943,164
Less allowance for uncollectible promises to give	(2,955)	(4,218)
Less discounts to net present value (*)	(739)	(2,214)
Net unconditional promises to give	\$ 79,081	\$ 936,732

(*) Based on 3.23 percent for the year ended June 30, 2022, 3.76 percent for the year ended June 30, 2023, 4.29 percent for the year ended June 30, 2024, and 4.2 percent for the year ended June 30, 2025.

(3) Employee Benefits

YFS has a defined contribution profit-sharing and 401(k) plan that covers all employees at least 18 years of age and having at least one year of service. Profit-sharing contributions to this plan are at the discretion of the Board of Directors. Employer matching contributions of 50.00 percent of the first three percent of the base compensation that a participant contributes to the plan are required under the terms of the plan document. The expenses are included in Fringe Benefits and were \$237,008 and \$253,586 for the years ended June 30, 2025 and 2024, 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 \$74,589 and \$76,039 was recorded as Donated Rental Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets for the years ended June 30, 2025 and 2024, respectively.

YFS has various short-term leases for office space, vehicles and equipment. Total lease costs under these short-term leases was \$189,692 and \$176,833, for the years ended June 30, 2025 and 2024, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(5) Net Assets

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

	2025	2024
<i>YFS:</i>		
Girl's Inc. Program	\$ 123,707	\$ 245,183
Middle School Program	104,784	94,915
United Way - Program	68,292	94,417
Caremobile	28,850	26,350
Garden	24,259	44,982
Family Child Care	17,305	19,911
Playground Equipment/Teaching Kitchen Remodel	16,035	25,000
Summer Meals	12,673	10,774
Child Development Center	5,007	12,828
Holiday Gifts	3,312	3,808
Counseling Center Services	2,040	458
Lakota Lands - Training	1,700	1,700
Healthy Marriages - Rapid-Cycle Learning	1,478	2,032
<i>Foundation:</i>		
Girl's Inc. Program	258,207	123,330
Fatherhood Project Reserves/Endowment	112,334	102,682
Garden Education	40,903	28,244
Parents Back to School	33,000	-
Dental Health	30,000	20,000
Land/Building Improvements - Pledges	6,729	87,462
Relief Crisis Care	6,159	6,036
Campaign 10-Year Donor Restriction	2,493	2,493
Campaign Time Restriction	-	9,804
	\$ 899,267	\$ 962,409

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

	2025	2024
<i>YFS:</i>		
East Adams Facilities and Operations	\$ 50,000	\$ 50,000
<i>Foundation:</i>		
Girls Inc. Program	534,508	496,981
General Endowment	1,112,524	869,635
Garden	118,731	118,731
Fatherhood	90,535	90,535
	\$ 1,906,298	\$ 1,625,882

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(5) Net Assets

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

	2025	2024
Property and Equipment, Net of Related Debt	\$ 4,682,300	\$ 5,260,523
General	13,199,076	12,019,027
<i>Board Designated - YFS:</i>		
Endowment	232,077	208,537
East Adams Facilities and Operations	709,012	679,437
Vehicle Repair	102,687	110,794
Emergency Childcare	34,206	34,206
AMEX Rewards - Payroll	6,507	-
Child Development Center Transportation	3,933	3,933
Kid's Fair	2,290	2,290
<i>Board Designated - Foundation:</i>		
East Adams Facilities Expansion	378,313	378,313
Endowment	2,297,087	2,295,899
	\$ 21,647,488	\$ 20,992,959

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(5) Net Assets

Endowed net assets consist of the following at June 30:

	Without Donor Restriction	With Donor Restriction - Time or Purpose	With Donor Restriction - In Perpetuity	Total
Endowment Net Assets - June 30, 2023	\$ 283,603	\$ 121,269	\$ 1,432,709	\$ 1,837,581
Investment Return	45,784	111,243	200,689	357,716
Contributions	2,195,898	-	-	2,195,898
Appropriations for Expenditure	(20,849)	(57,707)	(7,516)	(86,072)
Endowment Net Assets - June 30, 2024	2,504,436	174,805	1,625,882	4,305,123
Investment Return	24,728	57,126	65,897	147,751
Contributions	-	-	242,889	242,889
Appropriations for Expenditure	-	(47,014)	(28,370)	(75,384)
Endowment Net Assets - June 30, 2025	\$ 2,529,164	\$ 184,917	\$ 1,906,298	\$ 4,620,379

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:

	2025	2024
Buildings	\$ 16,114,755	\$ 16,114,755
Buildings - Federal Reversionary Interest	1,627,534	1,627,534
Buildings - Foundation	881,917	881,917
Equipment and Vehicles- Federal Reversionary Interest	3,683,781	3,368,738
Equipment and Furnishings	844,882	762,127
Equipment and Furnishings - QALICB	300,495	300,495
Vehicles	516,578	481,899
	23,969,942	23,537,465
Less Accumulated Depreciation	8,639,573	7,625,282
	15,330,369	15,912,183
Land	744,468	744,468
Land - QALICB	412,066	412,066
Land - Foundation	388,669	388,669
Construction in Progress	20,237	-
	1,565,440	1,545,203
	\$ 16,895,809	\$ 17,457,386

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(7) Investments and Fair Value Measurements

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

June 30, 2025	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 146,649	\$ -	\$ -	\$ -	\$ 146,649
Equities	4,377,016	-	-	-	4,377,016
Fixed Income	1,302,583	2,633,159	-	-	3,935,742
Investment in BHACF	-	-	-	19,908	19,908
Total Fair Value Investments	\$ 5,826,248	\$ 2,633,159	\$ -	\$ 19,908	\$ 8,479,315

June 30, 2024	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 65,812	\$ -	\$ -	\$ -	\$ 65,812
Equities	3,040,307	-	-	-	3,040,307
Fixed Income	955,257	2,124,019	-	-	3,079,276
Investment in BHACF	-	-	-	18,697	18,697
Total Fair Value Investments	\$ 4,061,376	\$ 2,124,019	\$ -	\$ 18,697	\$ 6,204,092

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 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.

(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 the QALICB substantially all the proceeds of the investments made in them by the Investment Fund in the aggregate amount of \$13,000,000 (less sponsor fees totaling \$345,000). The NMTC have a seven year compliance period.

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

**YOUTH & FAMILY SERVICES, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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

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

The Organization has guaranteed the delivery of the tax credits to the investors. The Organization would be required to act under the guarantee if for any reason there was a disallowance of the new market tax credits. As part of this guarantee and the bank financing, the bank notes described above and disclosed below have a put option in the event of noncompliance with NMTC 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.

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

	2025	2024
<i>QALICB Long-Term Debt:</i>		
Note payable to Wells Fargo Sub CDE, LLC Note A	\$ 1,009,351	\$ 1,009,351
Note payable to Wells Fargo Sub CDE, LLC Note B	490,649	490,649
Note payable to PCG Sub CDE, LLC Note A	3,595,308	3,595,308
Note payable to PCG Sub CDE, LLC Note B	1,739,692	1,739,692
Note payable to NCIF Sub CDE, LLC Note A	4,041,758	4,041,758
Note payable to NCIF Sub CDE, LLC Note B	1,778,242	1,778,242
	12,655,000	12,655,000
Less: Current Maturities	(196,841)	-
Less: Deferred Bond Issue Costs, Net of Accumulated Amortization	(441,491)	(458,137)
	\$ 12,016,668	\$ 12,196,863

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.

The current maturities are presented in accordance with the original loan maturity schedules. However, subsequent to year end, the NMTC compliance period ended. During the NMTC unwind process, both the note receivable and the notes payable were forgiven. The QALICB transferred all assets to YFS and was subsequently dissolved. Therefore, the schedule of long-term debt maturities for years beyond 2026 has been omitted.

**YOUTH & FAMILY SERVICES, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

(9) Liquidity

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

	2025	2024
Cash and Cash Equivalents	\$ 2,036,489	\$ 1,813,069
Government Grant Funds Receivable	1,076,982	1,229,149
Accounts Receivable	72,290	62,808
Investments	8,479,315	6,204,092
Promises to Give	147,373	1,031,149
Total Financial Assets	11,812,449	10,340,267
Less: Net Assets Without Donor Restriction - Board-Designated	3,766,112	3,713,409
Less: Net Assets With Time/Purpose Restrictions	899,267	962,409
Less: Net Assets With Perpetual Restrictions	1,906,298	1,625,882
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 5,240,772	\$ 4,038,567

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) Unearned Revenue

Included in unearned revenue within the Consolidated Statements of Financial Position are program fees of \$23,546 and \$18,321 for the years ended June 30, 2025 and 2024, respectively. Unearned revenue at July 1, 2023 totaled \$24,252. 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, 2025, conditional promises to give totaled approximately \$7,450,000 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 \$56,273 and \$35,246 for the years ended June 30, 2025 and 2024, respectively.

During the year ending June 30, 2024, the Organization received an in-kind donation of land and a building for program services. The fair value of \$1,070,000 was obtained from an appraisal for similar properties in the area. The land and building were capitalized and were not restricted by the donor.

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, 2025**

	Assistance Listing Numbers	Pass through Number	Amount
<i>U.S. Department of Agriculture:</i>			
Passed through the S.D. Department of Education:			
Child and Adult Care Food Program (CACFP) (Note 3)	10.558	None	\$ 441,788
Child and Adult Care Food Program (Family Day Care) (Note 3)	10.558	None	1,009,142
			<u>1,450,930</u>
<i>Child Nutrition Cluster (Note 3):</i>			
Summer Food Service Program for Children	10.559	None	85,757
<i>Direct Funding:</i>			
Farm to School Grant Program	10.575	N/A	50,758
Total U.S. Department of Agriculture			<u>1,587,445</u>
<i>U.S. Department of Justice:</i>			
Passed through the S.D. Department of Public Safety:			
Crime Victim Assistance	16.575	None	23,100
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	178,234
Total U.S. Department of Justice			<u>201,334</u>
<i>U.S. Department of Education:</i>			
Passed through S.D. Department of Education:			
21st Century Community Learning Centers	84.287C	S287C190042	250,000
Education Stabilization Fund	84.425U	S425U210050-21A	19,039
Total U.S. Department of Education			<u>269,039</u>
<i>U.S. Department of Health and Human Services:</i>			
Direct Funding:			
<i>Head Start Cluster:</i>			
Head Start 0-5 and Early Head Start	93.600	N/A	8,792,735
Head Start 0-3 and Early Head Start Expansion	93.600	N/A	10,156
Total Head Start Cluster			<u>8,802,891</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	555,360
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	662,613
			<u>1,217,973</u>
Drug Free Communities Support Program	93.276	N/A	133,700
Family Violence and Prevention Support Program	93.592	N/A	130,548
Total U.S. Department of Health and Human Services			<u>1,482,221</u>
Total			<u>\$ 12,342,930</u>

**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, 2025**

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, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2025, 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 January 8, 2026.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as finding number 2025-001 that we consider to be a material weakness.

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
Certified Public Accountants

January 8, 2026



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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
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, 2025. 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, 2025.

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

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

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

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2025-002 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 compliance 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
Certified Public Accountants

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on 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.
2. One material weakness was disclosed during the audit of the consolidated financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were disclosed during the audit.
4. A significant deficiency disclosed during the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the Organization expresses unmodified opinions on all major programs listed in #7.
6. Audit findings relative to the major federal award programs for the Organization are reported in Part C of this schedule.
7. The programs tested as major programs include the following:

Major Programs	ALN
Head Start Cluster	93.600
Child and Adult Care Food Program	10.558
Healthy Marriage Promotion and Responsible Fatherhood	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 WEAKNESS

Finding 2025-001: Financial Statement Preparation

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: As a matter of practicality and efficiency, we have assisted in drafting the financial statements, in both form and content, based on information provided by management during the audit.

Criteria and Effect: Management and those charged with governance are ultimately responsible for preparing and presenting the financial statements in accordance with the applicable financial reporting framework. The auditor's responsibility for the financial statements is to express an opinion on them based on the audit evidence obtained.

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Finding 2025-001: Financial Statement Preparation

Repeat Finding from Prior Year: Yes, revision of prior year finding #2024-001.

Recommendation: Management and if applicable, governance, should review the financial statements for accuracy of account balances and context of note disclosures. Management and governance should inquire of the auditors about any balances or disclosures which management does not understand or cannot reconcile to internal records prior to signing the management representation letter.

Response/Corrective Action Plan: The Organization agrees with the above finding. See Corrective Action Plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT

SIGNIFICANT DEFICIENCY

Finding 2025-002: Eligibility

Federal Program Affected: Child and Adult Care Food Program (ALN 10.558)

Compliance Requirement: Eligibility

Questioned Costs: None known or likely over \$25,000

Condition and Cause: A reimbursement request included 89 snacks, but the actual snacks per supporting documentation was 69. The total value of the error was \$24.20 out of a sample of \$2,705. The total population for the center food program was \$441,778. The error was not identified by review processes in place.

Criteria and Effect: Funding is provided based on the number of meals and snacks served to eligible children or day care providers. Requesting the incorrect number of meals or snacks could result in questioned costs.

Repeat Finding from Prior Year: No

Recommendation: Management and program directors should continue reviewing reimbursement requests and watch for errors in meal and snack quantities.

Response/Corrective Action Plan: The Organization agrees with the above Finding. See Corrective Action Plan.

MANAGEMENT RESPONSE



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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2025

Youth & Family Services, Inc. respectfully submits the following summary schedule of prior audit findings from the June 30, 2024 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2024 Schedule of Findings.

Finding 2024-001: 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: Management is satisfied that appropriate actions have been taken to allow them to take responsibility for the financial statements prepared by the auditors. The finding will be repeated in 2025, see Corrective Action Plan.



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

CORRECTIVE ACTION PLAN JUNE 30, 2025

Youth & Family Services, Inc. respectfully submits the following corrective action plan regarding findings from the June 30, 2025 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding 2025-001: Financial Statement Preparation

Responsible Individuals: Kari Williams, Chief Financial Officer

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

Anticipated Completion Date: Ongoing

Finding 2025-002: Eligibility

Responsible Individuals: Kari Williams, Chief Financial Officer

Corrective Action Plan: The Organization reviewed the attendance form and made changes so it is easier to read. The Organization will review reimbursement requests and watch for errors.

Anticipated Completion Date: December 31, 2025