

**YOUTH SERVICES SYSTEMS, INC.**

**WHEELING, WEST VIRGINIA**

**FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

Goff  
Backa  
Alfero &  
Company, LLC

*Certified Public Accountants*

**YOUTH SERVICES SYSTEM, INC.**  
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**JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Youth Services System, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Youth Services System, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Youth Services System, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Financial Statements section of our report. We are required to be independent of Youth Services System, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### ***Other Matter***

The financial statements of Youth Services System, Inc. for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on January 17, 2022.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 therefore is not a guarantee that an audit conducted in accordance with GAAS 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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 financial statements.

In performing an audit in accordance with GAAS 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Youth Services System, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Services System, Inc.'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 internal control–related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the 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, and schedule of expenditures of state awards, as required by West Virginia Code Section 12-4-14, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Youth Services System, Inc.'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 Youth Services System, Inc.'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 Youth Services System, Inc.'s internal control over financial reporting and compliance.

*Goff Backa Alfera & Company, LLC*

Goff Backa Alfera & Company, LLC  
Pittsburgh, Pennsylvania  
December 20, 2022

**YOUTH SERVICES SYSTEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

<u><b>ASSETS</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>
Current Assets:		
Cash and cash equivalents	\$ 1,896,877	\$ 886,700
Restricted cash	8,819	5,961
Unconditional promise to give	-	33,400
Accounts receivable	1,017,633	1,223,118
Grants receivable	606,964	651,127
Medicaid receivable	532,442	99,853
Prepaid expenses	204,092	75,254
Investments at fair value	2,029,110	2,128,315
Other assets	94,691	298,503
Total current assets	<u>6,390,628</u>	<u>5,402,231</u>
Property, Plant and Equipment:		
Land	80,917	80,917
Construction in progress	19,938	129,940
Land improvements	47,327	47,327
Buildings	2,585,752	2,585,752
Building improvements	4,489,486	4,294,976
Leasehold improvements	70,481	70,481
Vehicles	535,896	514,467
Equipment	644,270	554,306
Furniture	35,879	35,879
Total property, plant, and equipment	<u>8,509,946</u>	<u>8,314,045</u>
Less: accumulated depreciation	<u>(2,705,091)</u>	<u>(2,279,186)</u>
Net property, plant, and equipment	<u>5,804,855</u>	<u>6,034,859</u>
Other Assets:		
Beneficial interest in assets held at Community Foundation	<u>107,656</u>	<u>120,868</u>
Total other assets	<u>107,656</u>	<u>120,868</u>
Total assets	<u>\$ 12,303,139</u>	<u>\$ 11,557,958</u>

**YOUTH SERVICES SYSTEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2022 AND 2021**

<b><u>LIABILITIES AND NET ASSETS</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Current Liabilities:		
Accounts payable	\$ 567,916	\$ 367,781
Accrued payroll and other liabilities	508,632	393,049
Refundable advances - current	515,465	345,819
Capital leases payable - current	86,157	95,615
Long-term debt - current	1,494,719	123,837
Total current liabilities	<u>3,172,889</u>	<u>1,326,101</u>
Long-Term Liabilities:		
Long-term refundable advance	548,613	548,613
Long-term debt, net of current portion	1,060,200	2,558,034
Lease payable, net of current portion	240,509	252,542
Other long-term liabilities	33,514	-
Total long-term liabilities	<u>1,882,836</u>	<u>3,359,189</u>
Total liabilities	<u>5,055,725</u>	<u>4,685,290</u>
Net Assets:		
Net assets without donor restrictions	6,141,807	5,598,653
Net assets without donor restrictions - Board designated	150,000	150,000
Net assets with donor restrictions	955,607	1,124,015
Total net assets	<u>7,247,414</u>	<u>6,872,668</u>
Total liabilities and net assets	<u>\$ 12,303,139</u>	<u>\$ 11,557,958</u>

**YOUTH SERVICE SYSTEMS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Support:						
Fees from government agencies	\$ 7,213,038	\$ -	\$ 7,213,038	\$ 5,941,920	\$ -	\$ 5,941,920
Grants and contracts from government agencies	4,251,639	-	4,251,639	3,935,001	-	3,935,001
Contributions from the public	903,213	-	903,213	878,541	230,273	1,108,814
In-kind contributions	1,181,177	-	1,181,177	864,555	-	864,555
Other contract income	-	50,000	50,000	-	45,000	45,000
Special events fundraisers	78,317	-	78,317	114,164	-	114,164
Rental income	78,885	-	78,885	83,609	-	83,609
Dividend and interest income	62,037	-	62,037	56,475	-	56,475
PPP loan forgiveness	-	-	-	1,280,399	-	1,280,399
Miscellaneous	138,461	-	138,461	356,059	-	356,059
Total revenue, gains and support	13,906,767	50,000	13,956,767	13,510,723	275,273	13,785,996
Net assets released from restrictions	205,196	(205,196)	-	275,273	(275,273)	-
Total revenue, gains and support	14,111,963	(155,196)	13,956,767	13,785,996	-	13,785,996
Operating Expenses:						
Program services:						
Residential services	5,131,723	-	5,131,723	4,724,440	-	4,724,440
Client services	1,302,742	-	1,302,742	1,307,696	-	1,307,696
Community-based services	2,308,182	-	2,308,182	2,225,486	-	2,225,486
Other program services	1,843,193	-	1,843,193	1,585,229	-	1,585,229
Subtotal program services	10,585,840	-	10,585,840	9,842,851	-	9,842,851
Supporting services:						
Administration/management	2,677,769	-	2,677,769	1,774,723	-	1,774,723
Total operating expenses	13,263,609	-	13,263,609	11,617,574	-	11,617,574
Non-Operating Revenue (Expenses)						
Change in value of beneficial interest	-	(13,212)	(13,212)	-	21,973	21,973
Gain (loss) on disposal of capital assets	(5,962)	-	(5,962)	151,305	-	151,305
Gain (loss) on investments	(299,238)	-	(299,238)	360,472	-	360,472
Total non-operating revenues (expenses)	(305,200)	(13,212)	(318,412)	511,777	21,973	533,750
Change in net assets	543,154	(168,408)	374,746	2,680,199	21,973	2,702,172
Net assets, beginning of year	5,748,653	1,124,015	6,872,668	3,068,454	1,102,042	4,170,496
Net assets, end of year	\$ 6,291,807	\$ 955,607	\$ 7,247,414	\$ 5,748,653	\$ 1,124,015	\$ 6,872,668



**YOUTH SERVICES SYSTEMS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Program Services</b>					<b>Supporting</b>	<b>Total</b>
	<b>Residential Services</b>	<b>Client Services</b>	<b>Community- Based Services</b>	<b>Other Program Services</b>	<b>Subtotal Program Services</b>	<b>Services Administration/ Management</b>	
Salaries and wages	\$ 2,871,149	\$ 667,097	\$ 1,063,509	\$ 306,832	\$ 4,908,587	\$ 1,045,121	\$ 5,953,708
Payroll taxes	265,510	54,711	88,670	26,711	435,602	85,482	521,084
Employee benefits	411,774	239,405	180,972	32,184	864,335	222,520	1,086,855
Financial services	18,690	1,450	5,910	2,900	28,950	2,970	31,920
Legal	-	-	-	-	-	138,005	138,005
Marketing/advertising	350	18,661	238,024	158	257,193	12,684	269,877
Supplies	650,703	36,229	440,086	1,379,833	2,506,851	209,485	2,716,336
Telephone	28,650	6,490	16,335	6,543	58,018	16,878	74,896
Building and equipment maintenance	85,874	4,418	655	2,040	92,987	50,617	143,604
Vehicle maintenance	10,099	2,001	3,080	-	15,180	3,313	18,493
Utilities	181,257	90	2,323	216	183,886	84,145	268,031
Training	8,342	87	27,615	7,800	43,844	19,122	62,966
Meetings	20	1,257	1,211	-	2,488	4,420	6,908
Leases, contracts and licenses	39,050	167,655	134,519	2,393	343,617	546,289	889,906
Insurance	108,131	21,935	25,458	-	155,524	11,912	167,436
Travel	30,636	15,199	57,989	75,583	179,407	8,685	188,092
Medical services	47,080	26,370	90	-	73,540	-	73,540
Interest	73,943	2,225	3,886	-	80,054	71,963	152,017
Depreciation	300,448	34,670	14,175	-	349,293	85,566	434,859
Other expenses	17	2,792	3,675	-	6,484	58,592	65,076
<b>Total Expenses</b>	<b>\$ 5,131,723</b>	<b>\$ 1,302,742</b>	<b>\$ 2,308,182</b>	<b>\$ 1,843,193</b>	<b>\$ 10,585,840</b>	<b>\$ 2,677,769</b>	<b>\$ 13,263,609</b>

**YOUTH SERVICES SYSTEMS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>					<b>Subtotal Program Services</b>	<b>Supporting Services Administration/ Management</b>	<b>Total</b>
	<b>Residential Services</b>	<b>Client Services</b>	<b>Community- Based Services</b>	<b>Other Program Services</b>				
Salaries and wages	\$ 2,510,231	\$ 686,005	\$ 1,057,775	\$ 324,808	\$ 4,578,819	\$ 939,957	\$ 5,518,776	
Payroll taxes	234,040	55,201	91,288	27,876	408,405	76,658	485,063	
Employee benefits	437,391	198,202	169,194	38,274	843,061	156,884	999,945	
Financial services	17,530	3,444	6,957	3,065	30,996	3,444	34,440	
Legal	-	-	-	-	-	11,083	11,083	
Marketing/advertising	1,390	51,425	131,461	1,755	186,031	32,093	218,124	
Supplies	626,813	38,224	437,703	1,130,798	2,233,538	149,578	2,383,116	
Telephone	27,371	6,694	13,279	6,613	53,957	15,227	69,184	
Building and equipment maintenance	70,913	760	499	2,782	74,954	25,304	100,258	
Vehicle maintenance	11,853	2,248	3,930	-	18,031	4,955	22,986	
Utilities	160,432	-	263	215	160,910	60,814	221,724	
Training	11,564	960	47,994	11,556	72,074	11,540	83,614	
Meetings	637	24	-	-	661	2,036	2,697	
Leases, contracts and licenses	60,959	167,343	185,534	4,182	418,018	103,051	521,069	
Insurance	98,381	21,001	24,374	187	143,943	11,563	155,506	
Travel	16,792	9,975	36,041	33,118	95,926	6,048	101,974	
Medical services	43,779	25,320	-	-	69,099	-	69,099	
Interest	76,581	1,997	3,599	-	82,177	56,914	139,091	
Depreciation	297,541	38,873	15,595	-	352,009	86,116	438,125	
Other expenses	20,242	-	-	-	20,242	21,458	41,700	
<b>Total Expenses</b>	<b>\$ 4,724,440</b>	<b>\$ 1,307,696</b>	<b>\$ 2,225,486</b>	<b>\$ 1,585,229</b>	<b>\$ 9,842,851</b>	<b>\$ 1,774,723</b>	<b>\$ 11,617,574</b>	

**YOUTH SERVICES SYSTEMS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 374,746	\$ 2,702,172
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	434,859	438,125
Value of stock contribution	(163,346)	-
Change in value of beneficial interest	13,212	(21,974)
Net (gain) loss on investments	299,238	(360,472)
(Gain) loss on disposal of capital assets	5,962	(151,305)
Value of donated vehicle	9,000	-
PPP loan forgiveness	-	(1,215,400)
(Increase) decrease in assets:		
Unconditional promises to give	33,400	(29,650)
Accounts receivable	205,485	(858,801)
Grants receivable	44,163	(325,938)
Medicaid receivables	(432,589)	55,980
Prepaid expenses	(128,838)	24,654
Other assets	203,812	(15,193)
Increase (decrease) in liabilities:		
Accounts payable	200,135	(120,663)
Accrued payroll and other liabilities	115,583	25,253
Refundable advances	169,646	275,763
Other long-term liabilities	33,514	-
Net cash provided (used) by operating activities	1,417,982	422,551
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(145,323)	(770,877)
Proceeds from sale of assets	-	179,878
Purchases of investments	(896,126)	(695,941)
Proceeds on sale of investments	859,439	660,751
Net cash (used) by investing activities	(182,010)	(626,189)
<b>Cash flows from financing activities:</b>		
Proceeds from capital lease	-	315,469
Payments of long-term debt	(126,952)	(148,075)
Payments of capital lease	(95,985)	(49,381)
Net cash provided by financing activities	(222,937)	118,013
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,013,035	(85,625)
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	892,661	978,286
<b>Cash, cash equivalents, and restricted cash, end of year</b>	\$ 1,905,696	\$ 892,661

**YOUTH SERVICES SYSTEMS, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
Supplemental Information:		
Interest paid	\$ 152,017	\$ 139,091
Non-cash Investing and Financing Activities:		
New capital leases to obtain fixed assets	\$ 74,494	\$ -
Fixed assets obtained with new capital leases	\$ (74,494)	\$ -

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 1: NATURE OF ACTIVITIES**

Youth Services System, Inc. (the Corporation) is a nonprofit organization licensed by the state of West Virginia to serve children and their families in the state, and more specifically the Northern panhandle, by providing social services, education, transitional living skills, training, therapy, and development skills through intervention. The Corporation's mission is to create environments, provide services, and be totally available to children and their families whose legitimate needs demand effective responses.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(A) Basis of Accounting**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic, Financial Statements of Not-for-Profit Corporations. The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**(B) Net Asset Accounting**

Under FASB, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Corporation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Net assets with voluntary designations by the governing board of the Corporation are considered to be without donor restrictions under the guidelines of FASB ASC 958-205-45-2.

Net assets with donor restrictions are available for the following purposes for 2022:

2022 - Net Assets with Donor Restrictions	
Properties utilized in residential programs	\$ 790,873
Properties utilized in client programs	57,078
Beneficial interest in assets held at	
Community Foundation	107,656
	\$ 955,607

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(B) Net Asset Accounting (Continued)**

Net assets with donor restrictions are available for the following purposes for 2021:

2021 - Net Assets with Donor Restrictions		
Properties utilized in residential programs	\$	897,032
Properties utilized in client programs		105,370
Beneficial interest in assets held at		
Community Foundation		120,868
Endowment contributions held in perpetuity		745
	\$	1,124,015

**(C) Cash and Cash Equivalents**

The Corporation considers only amounts held in checking and savings accounts to be cash and cash equivalents. For purposes of the Statement of Cash Flows, cash, restricted cash, and restricted investments are considered cash and cash equivalents. Restricted cash consists of restricted contributions of \$8,819 and \$5,961 for 2022 and 2021, respectively. Restricted investments were \$-0- for 2022 and 2021.

**(D) Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are recognized as increases in net assets with donor restriction.

**(E) Investments**

Investments are recorded at fair value. Certificates of deposit are stated at cost which approximates fair value. Changes in fair value are recorded as unrealized gains (losses). Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the financial statements. Contributions of securities from donors are recorded at fair value at the time the gift is made. The Corporation records its investment transactions on a trade date basis. Interest income is recorded on the accrual basis.

**(F) Property, Plant, and Equipment**

Property and equipment are stated at cost and are being depreciated over their estimated useful lives (ranging from 3 to 40 years) under the straight-line method. The Corporation's Board of Directors has adopted a policy to capitalize fixed assets with a cost of \$5,000 and greater. Donations of property, plant and equipment are recorded as support at their estimated fair value. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding the length of time donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property acquired through donations which place permanent limitations on the use or on the proceeds from disposal of such property, or whose title may revert to a third party, are classified as net assets with donor restrictions at the time they are acquired.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(G) Functional Expenses**

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management.

**(H) Revenue Recognition**

Contributions received are recorded as support without donor restrictions and with donor restrictions depending on the existence or nature of any donor restrictions in the period the commitment is made. Support with restrictions is reclassified to net assets without restrictions upon satisfaction of restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement.

**(I) Donated Services/Materials**

The value of contributed services is not recognized as contributions in the financial statements because they did not meet the recognition criteria under the Accounting for Contributions Received and Contributions Made topic of the FASB ASC. Donated materials and equipment are reflected at their estimated value at date of receipt and totaled \$1,181,177 and \$864,555 for the years ended June 30, 2022 and 2021, respectively.

**(J) Fair Value Measurements**

FASB guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, unconditional promises to give, accounts receivable, prepaid expenses, other assets, accounts payable, refundable advances and accrued liabilities, approximate fair value due to the short maturity of these instruments.

**(K) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(L) Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(2) of the Code.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization Exempt from Income Tax (federal Form 990) for 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(M) Recent Accounting Pronouncements**

In February 2016, FASB issued ASU No. 2016-02, Leases (ASC 842). The FASB issued subsequent amendments to the initial guidance in September 2017, January 2018, July 2018, and March 2019 within ASU 2017-13, ASU 2018-01, ASU 2018-10, ASU 2018-11, and ASU 2019-01, respectively. ASC 842 supersedes the current accounting for leases. The new standard, while retaining two distinct types of leases, finance and operating, (i) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting, (ii) eliminates current real estate specific lease provisions, (iii) modifies the lease classification criteria and (iv) aligns many of the underlying lessor model principles with those in the new revenue standard. The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted, and is to be applied retrospectively. The Corporation is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**NOTE 3: UNCONDITIONAL PROMISES TO GIVE**

There are no allowances for uncollectible accounts at June 30, 2022 and 2021 as all unconditional promises to give are expected to be collected in full within the next fiscal year.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable are stated net of an allowance for uncollectible amounts of \$-0- at June 30, 2022 and 2021. This allowance is based on historical collection and receivable aging analysis. Restrictions in reimbursements and delays in receiving payments could have a significant effect on the Corporation's ability to carry on many of its program activities.

**NOTE 5: FAIR VALUE MEASUREMENTS**

FASB ASC No. 820, Fair Value Measurement, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, which have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs, which have the lowest priority, use primarily unobservable inputs. The Corporation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Corporation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.



**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:			
Cash and Cash Equivalents	\$ 221,696	\$ -	\$ -
Fixed Income Mutual Funds	783,926	-	-
Equity Mutual Funds	256,507	-	-
Equity Securities	766,981	-	-
Beneficial Interest in Assets Held at Community Foundation	-	-	107,656
	<u>\$ 2,029,110</u>	<u>\$ -</u>	<u>\$ 107,656</u>

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:			
Cash and Cash Equivalents	\$ 222,631	\$ -	\$ -
Fixed Income Mutual Funds	472,061	-	-
Equity Mutual Funds	202,657	-	-
Equity Securities	1,230,966	-	-
Beneficial Interest in Assets Held at Community Foundation	-	-	120,868
	<u>\$ 2,128,315</u>	<u>\$ -</u>	<u>\$ 120,868</u>

**NOTE 6: INVESTMENTS**

The Corporation has investments which are stated at fair value. Investments at June 30, 2022 consist of:

	Cost	Fair Value Market
Cash and Cash Equivalents	\$ 221,696	\$ 221,696
Fixed Income Mutual Funds	882,760	783,926
Equity Mutual Funds	302,042	256,507
Equity Securities	664,554	766,981
	<u>\$ 2,071,052</u>	<u>\$ 2,029,110</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 6: INVESTMENTS (CONTINUED)**

Investment income for the year ended June 30, 2022 consist of the following:

	Amount
Gain (loss) on investments	\$ (299,238)
Interest and dividend income	62,037
	\$ (237,201)

The Corporation has investments which are stated at fair value. Investments at June 30, 2021 consisted of:

	Cost	Fair Value Market
Cash and Cash Equivalents	\$ 222,631	\$ 222,631
Fixed Income Mutual Funds	46,834	472,061
Equity Mutual Funds	148,665	202,657
Equity Securities	497,456	1,230,966
	\$ 915,586	\$ 2,128,315

Investment income for the year ended June 30, 2021 consisted of the following:

	Amount
Gain (loss) on investments	\$ 360,472
Interest and dividend income	56,475
	\$ 416,947

**NOTE 7: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Corporation is a beneficiary of a permanently endowed designated fund maintained by the Community Foundation for the Ohio Valley, Inc. The fund's assets are to be held in perpetuity and the Community Foundation for the Ohio Valley, Inc. has been granted variance power to bear the responsibility of redirecting distributions from this fund if the Corporation's stated intent becomes inconsistent with the charitable needs of the local community. The Corporation expects to receive periodic distributions of its share of the fund's annual income. These distributions will be recorded on the Statement of Activities as distributions from beneficial interest in assets held by the Community Foundation. The beneficial interest in assets held by the Community Foundation is reported on the Statement of Financial Position at the fair market value of the Corporation's interest in the fund, which amounted to \$107,656 and \$120,868 at June 30, 2022 and 2021, respectively. The change in the value of the beneficial interest in assets held by the Community Foundation is recorded as net assets with donor restrictions on the Statement of Activities.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 7: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION  
(CONTINUED)**

The increase in the value of the beneficial interest in assets held by the Community Foundation (investment return retained in the fund) totaled \$13,212 and \$21,973 for the fiscal years ended June 30, 2022 and 2021, respectively.

**NOTE 8: OTHER ASSETS**

Other assets consisted of the following at June 30, 2022 and 2021:

	2022	2021
Lease deposits	\$ 1,700	\$ 200
Cash surrender value - life insurance	92,991	298,303
	\$ 94,691	\$ 298,503

**NOTE 9: PROPERTY AND EQUIPMENT**

Property and equipment consisted of:

	2022	2021
Construction work in progress	\$ 19,938	\$ 129,940
Land	80,917	80,917
Land improvements	47,327	47,327
Buildings	2,585,752	2,585,752
Building improvements	4,489,486	4,294,976
Lease improvements	70,481	70,481
Vehicles	535,896	514,467
Equipment	644,270	554,306
Furniture	35,879	35,879
	8,509,946	8,314,045
Less accumulated depreciation	(2,705,091)	(2,279,186)
	\$ 5,804,855	\$ 6,034,859

Depreciation expense totaled \$434,859 and \$438,125 for the fiscal years ended June 30, 2022 and 2021, respectively.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 10: REFUNDABLE ADVANCES**

The Corporation received certain grant funding in advance of their related expenditures or have not yet fully satisfied all grant requirements to recognize the receipts as revenue. Refundable advances consisted of:

	2022	2021
WV BHHF Grants	\$ 349,252	\$ 286,865
Federal Home Loan Bank Affordable Housing Program	548,613	548,613
Miscellaneous Advances	166,213	58,954
	\$ 1,064,078	\$ 894,432

**NOTE 11: CAPITAL LEASES PAYABLE**

The Corporation currently has 26 vehicles under multiple capital lease agreements. The vehicles have a net book value of \$386,852 and \$426,933 at June 30, 2022 and 2021, respectively. Interest on these capital leases vary between 6 – 12.9% per annum.

The Corporation has entered into three additional leases during the fiscal year ended June 30, 2022. One of the leases is for video cameras in the leased vehicles and the other two leases are for copiers. The net book value of these assets are \$41,376 and \$-0- at June 30, 2022 and 2021, respectively. Interest on these capital leases vary between 2 – 9.3% per annum.

Scheduled future payments of capital leases including interest for the year ended June 30, 2022 are as follows:

Year ending June 30,	
2023	\$ 112,582
2024	106,788
2025	111,846
2026	40,425
2027	3,747
Total minimum lease payments	375,388
Less: Amount representing interest	48,722
	326,666
Less: Current portion of capital lease obligation	86,157
Long-term capital lease obligation	\$ 240,509

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 12: LONG-TERM DEBT**

	2022	2021
Long-term debt consists of the following:		
A ten year note for the Youth Achievement Center:		
On March 9, 2015, the Corporation signed an \$800,000 loan for the construction of the center. Monthly payments are \$5,222, which consist of principal and interest at 4.8%, maturing on March, 9, 2025. Monthly payments began on December 9, 2015. The loan is secured by all of the Corporation's depository accounts with and investment property held by the bank.	\$ 614,996	\$ 646,885
A seven year note to consolidate debt:		
On December 23, 2015, the Corporation signed a \$1,360,000 loan to consolidate debt. Monthly payments are \$7,610, which consist of principal and interest at 4.5%, maturing on December 23, 2022. The loan is secured by the McCrary Center Credit Line Deed of Trust and the Ronald C. Mulholland Juvenile Center Credit Line Deed of Trust.	1,128,297	1,167,177
A five year note for copiers:		
On September 27, 2016, the Corporation acquired a loan with Lease Corporation of America for the purchase of copiers. The loan is secured by the copiers.	-0-	2,332
A five year note for a sprinkler system:		
On October 19, 2017, the Corporation signed a \$400,000 loan for the installation of a sprinkler system. Monthly payments are \$3,168, which consist of principal and interest at 4.95%, maturing on October 19, 2022. The loan is secured by a Credit Line Deed of Trust dated October 19, 2017.	298,696	321,101
A five and a half year note for The Efficiency Network:		
On August 22, 2018, the Corporation signed a \$625,000 loan for The Efficiency Network. Monthly payments are \$5,286, which consist of principal and interest at 5.95%, maturing on February 22, 2024. The loan is secured by a Credit Line Deed of Trust dated August 22, 2018 and a Commercial Security Agreement dated August 22, 2018, described as inventory, chattel paper, accounts, equipment and general intangibles.	512,930	544,376
Total long-term debt	\$ 2,554,919	\$ 2,681,871
Less: current portion	1,494,719	123,837
	\$ 1,060,200	\$ 2,558,034

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 12: LONG-TERM DEBT(CONTINUED)**

The scheduled future principal payments on the debt are as follows:

2023	\$	1,494,719
2024		514,606
2025		<u>545,594</u>
Total	\$	<u>2,554,919</u>

The Corporation is currently in the process of refinancing the consolidated loan and the sprinkler system loan. The remainder of the two loans are currently included in the current portion of long-term debt on the Statement of Financial Position and in year 2023 of the schedule of future principal payments above. The corporation was granted an extension on the loans through December 19, 2022.

**NOTE 13: OPERATING LEASES**

The Corporation leases the Detention Center property from the City of Wheeling under a fifty-year lease dated June 21, 2013. The lease calls for lease payments of \$10 per year.

**NOTE 14: RETIREMENT AND OTHER EMPLOYEE BENEFITS**

**Pension Plan**

The Corporation previously maintained a retirement plan for employees in the form of a tax-sheltered annuity 403 (b) plan. All ability for employees to contribute to the plan ceased on December 31, 2019.

The Corporation implemented a 401(k)-retirement plan beginning January 1, 2021. Employees are eligible to participate in the plan once they attain the age of 21 and complete one year of service. Each year, the Corporation has the option to make a discretionary matching contribution equal to a percentage of the employees' salary deferrals. To be eligible for the match, employees must work at least 1,000 hours during the plan year. The Corporation contributed \$-0- to the plan for the years ending June 30, 2022 and 2021.

Employee benefits, shown in the Statement of Functional Expenses, total \$1,086,855 and \$999,945, for the years ending June 30, 2022 and 2021, respectively, consisting of medical insurance benefits.

**Cafeteria Plan**

The Corporation offers to employees a flexible benefit plan under Section 125 of the Internal Revenue Code. The plan provides all full-time employees (1,872 hours per year) the ability to receive medical, disability, dental and vision benefits. Newly eligible employees are enrolled in the plan on the first day of the month in which they reach their 60 days of employment.

**Compensated Absences**

The Corporation offers compensated annual leave, ranging from 15 to 26.5 days per year if hired before July 1, 1998, ranging from 12 to 21 days per year if hired after July 1, 1998 and before July 1, 2009, and ranging from 12 to 15 days per year if hired after July 1, 2009, to employees who have continuous employment of more than three months. The Corporation also offers compensated days for actual illness of up to 12 days per year. Unused sick days can be accumulated up to fifty days. In addition, according to the executive director's contract, this position's compensated annual leave and sick pay accrue without limit.

**NOTE 14: RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)**

An estimated liability for compensated annual leave of \$207,954 and \$188,928 is reflected in the Statement of Financial Position as part of accrued payroll and other liabilities at June 30, 2022 and 2021, respectively.

**NOTE 15: SPECIAL EVENT FUNDRAISERS**

Various special event fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows for the fiscal year ended June 30, 2022:

	Good Samaritan		Camp Out			
	Dinner	Festival	Sleep Out	for a Cause	Other	Total
Special event revenue	\$ 9,618	\$ 12,200	\$ 10,461	\$ 23,728	\$ 22,310	\$ 78,317
Direct expenses for each fundraiser	(11,556)	(10,140)	(7,114)	(2,186)	(22,437)	(53,433)
	<u>\$ (1,938)</u>	<u>\$ 2,060</u>	<u>\$ 3,347</u>	<u>\$ 21,542</u>	<u>\$ (127)</u>	<u>\$ 24,884</u>

Various special event fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows for the fiscal year ended June 30, 2021:

	Good Samaritan		Camp Out			
	Dinner	Festival	Sleep Out	for a Cause	Other	Total
Special event revenue	\$ 6,300	\$ 5,650	\$ 53,108	\$ 13,919	\$ 45,855	\$ 124,832
Direct expenses for each fundraiser	(2,806)	(773)	(809)	(1,212)	(4,614)	(10,214)
	<u>\$ 3,494</u>	<u>\$ 4,877</u>	<u>\$ 52,299</u>	<u>\$ 12,707</u>	<u>\$ 41,241</u>	<u>\$ 114,618</u>

**NOTE 16: CONCENTRATIONS**

Youth Services System, Inc. maintains their bank accounts in several financial institutions located in the area. At June 30, 2022 and 2021, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management has not experienced any losses and does not believe there is a significant market risk associated with any such balances.

For 2022, the Corporation received major concentrations of fee revenue and grant support from West Virginia Department of Health and Human Resources (16%), the West Virginia Division of Juvenile Services (36%), and Medicaid revenues (10%).

For 2021, the Corporation received major concentrations of fee revenue and grant support from West Virginia Department of Health and Human Resources (16%), the West Virginia Division of Juvenile Services (34%), and Medicaid revenues (9%).

**NOTE 17: RELATED PARTY TRANSACTIONS**

In May 2010, the Corporation purchased a \$1,200,000 flexible premium adjustable universal life insurance policy on the executive director. Annual premiums amounting to \$5,973 were paid by the Corporation for the fiscal year ending June 30, 2022 and 2021. A cash surrender value of this policy is \$92,991 and \$298,303 at June 30, 2022 and 2021, respectively.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 18: COMMITMENTS**

The Corporation has several contracts with individual, psychological, psychiatric and medical care providers to service the Corporation's clients based on identified medical needs. These fees for service contracts are mostly open ended. One contract requires a \$3,000 monthly payment for services rendered for clients in the juvenile detention facility.

**NOTE 19: LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Corporation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in endowment funds and annuities.

	2022	2021
Financial assets, at year end:		
Cash	\$ 1,896,877	\$ 886,700
Restricted cash	8,819	5,961
Unconditional promises to give	-	33,400
Accounts receivable	1,017,633	1,223,118
Grants receivable	606,964	651,127
Medicaid receivable	532,442	99,853
Investments at fair value	2,029,110	2,128,315
Beneficial interest in assets held at Community Foundation	107,656	120,868
Subtotal Financial assets, at year end	6,199,501	5,149,342
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for time or purpose	(847,951)	(1,003,147)
Beneficial interest in assets held at Community Foundation	(107,656)	(120,868)
Financial assets available within one year to meet cash needs for general expenditures	\$ 5,243,894	\$ 4,025,327

The Corporation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Corporation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 20: CASH FLOW RECONCILIATION**

The following table provides the detail of the items included in cash, cash equivalents, and restricted cash reported on the statement of cash flows for the years ending June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 1,896,877	\$ 886,700
Restricted cash	8,819	5,961
Total cash, cash equivalents and restricted cash per statement of cash flows	\$ 1,905,696	\$ 892,661

**NOTE 21: LEGAL PROCEEDINGS**

Occasionally the Corporation is a defendant in claims relating to employee and other matters arising in the ordinary course of their activities. The Corporation records a provision for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information and events pertinent to a particular matter.

The Corporation entered into a settlement agreement and release of claims on June 24, 2022 with a previous employee. The settlement caused a total liability of \$387,761 which is reported on the Statement of Financial Position. The current portion of \$354,247 is reported in accounts payable and the long-term portion is reported as other long-term liabilities. As part of the agreement, all parties agreed to release any further claims regarding the settlement.

**NOTE 22: SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency in response to a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified that COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effect on the Corporation’s industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2022. However, if the pandemic continues, it may have a material adverse effect on the Corporation’s results of future operations, financial position, and liquidity in the fiscal year 2023.

As mentioned in Note 12, the Corporation is currently in the process of refinancing two loans, the consolidated loan and the sprinkler system loan. The remainder of the loans is included in the current portion of long-term debt on the statement of financial position. The Corporation was granted an extension on the loans through December 19, 2022.

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through December 20, 2022, (the date the financial statements were available to be issued).

**YOUTH SERVICES SYSTEM, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through The West Virginia Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	N/A	\$ -	\$ 35,104
National School Lunch Program	10.555	N/A	-	67,579
Total Child Nutrition Cluster			-	102,683
<b>Total U.S. Department of Agriculture</b>			-	<b>102,683</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through The West Virginia Department of Labor - Northern Panhandle</i>				
<i>Workforce Investment Board:</i>				
WIOA Cluster:				
Workforce Innovation & Opportunity Act - Youth Activities *	17.259	N/A	-	478,000
Total WIOA Cluster			-	478,000
<b>Total U.S. Department of Labor</b>			-	<b>478,000</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through The City of Wheeling, WV</i>				
Community Development Block Grant/Entitlement Grants	14.218	N/A	-	14,807
Total Passed Through The City of Wheeling, WV			-	14,807
<b>Total U.S. Department of Housing and Urban Development</b>			-	<b>14,807</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Direct Programs:</i>				
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-02-00	-	51,030
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-03-00	-	131,583
Total Runaway and Homeless Youth - Basic Center Program			-	182,613

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

Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7274-03-00	-	59,520
Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7356-01-00	-	202,881
Total Runaway and Homeless Youth - Transitional Living Program			-	<u>262,401</u>
Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	-	309,050
Total Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution			-	<u>309,050</u>
<i>Passed Through The West Virginia Department of Health and Human Resources:</i>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)				
State System of Care	93.104	G210634	-	28,077
State System of Care	93.104	G220627	-	49,508
Total Comprehensive Community Mental Health Services for Children with SED			-	<u>77,585</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G210583	-	205,513
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G220676	-	218,274
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G210848	-	32,238
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G221075	-	29,666
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G210570	-	9,325
Substance Abuse and Mental Health Services - Projects of Regional and National Significance *	93.243	G221047	-	8,085
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance			-	<u>503,101</u>
Block Grants for Community Mental Health Services	93.958	G210521	-	47,261
Block Grants for Community Mental Health Services	93.958	G220724	-	148,150
Block Grants for Community Mental Health Services	93.958	G220448	-	75,000
Total Block Grant for Community Mental Health Services			-	<u>270,411</u>
Block Grant for Prevention and Treatment of Substance Abuse *	93.959	G210556	-	95,349
Block Grant for Prevention and Treatment of Substance Abuse *	93.959	G220729	-	194,001
Block Grant for Prevention and Treatment of Substance Abuse *	93.959	G210577	32,777	57,884
Block Grant for Prevention and Treatment of Substance Abuse *	93.959	G220642	41,114	82,214
Block Grant for Prevention and Treatment of Substance Abuse- COVID *	93.959	G220635	-	108,180
Total Block Grant for Prevention and Treatment of Substance Abuse			<u>73,891</u>	<u>537,628</u>

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

Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200756	-	140,164
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G220601	-	113,282
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G220593	-	38,203
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G221019	-	36,274
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200744	-	19,307
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G220608	-	33,469
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G210832	-	38,368
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G220571	-	166,277
<b>Total Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis</b>			<u>-</u>	<u>585,344</u>
 CCDF Cluster:				
American Rescue Plan Act Child Care Stabilization Funds	93.575	N/A	-	105,025
<b>Total CCDF Cluster</b>			<u>-</u>	<u>105,025</u>
 Chafee Independent Living- CARES ACT				
	93.674	G220859	-	164,657
 Chafee Foster Care Independence Program				
	93.674	G220075	-	40,320
<b>Total U.S. Department of Health and Human Services</b>			<u><b>73,891</b></u>	<u><b>3,038,135</b></u>
<b>Total Federal Financial Assistance</b>			<u><b>\$ 73,891</b></u>	<u><b>\$ 3,633,625</b></u>

\* Major Program

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant award activity of Youth Services System, Inc. (the Corporation) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared 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 Youth Services System, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

The Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D: Subrecipients

The Corporation passes certain federal awards received from the West Virginia Department of Health and Human Resources to other governments or not-for-profit agencies (subrecipients). As Note B describes the Corporation reports expenditures of Federal awards to subrecipients on an accrual basis.

As a subrecipient, the Corporation has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

Note E: Child Nutrition Cluster

The Corporation commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Corporation assumes it expends federal monies first.

**YOUTH SERVICES SYSTEM, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Award Agency: Grant Name	Grant ID Number	Period of Award	Total Grant	Total Receipts	Total Expenditures	Unexpended Balance
<b>West Virginia Department of Health and Human Resources:</b>						
Casework Grant	G220049	7/1/21 - 6/30/22	\$ 611,118	\$ 611,118	\$ 521,118	\$ 90,000
Expanded School Based Mental Health	G220208	7/1/21 - 6/30/22	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Job Skills Development	G220075	7/1/21 - 6/30/22	\$ 10,080	\$ 10,080	\$ 10,080	\$ -
<b>West Virginia Department of Education:</b>						
West Virginia State Child Nutrition Matching Grant	GRTAWD04022200005263	4/7/2022-3/31/2024	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
West Virginia State Child Nutrition Supply Chain Asst.	GRTAWD04022200005463	5/4/2022-9/30/2023	\$ 6,012	\$ 6,012	\$ 6,012	\$ -
<b>West Virginia Division of Juvenile Services:</b>						
Ronald C. Mulholland Juvenile Detention Facility Program	AMA 0608 DCR21*8	7/1/21 - 6/30/22	\$ 2,835,040	\$ 2,835,040	\$ 2,835,040	\$ -
Ronald C. Mulholland Juvenile Substance Abuse Program	AMA 0608 DCR20*53	3/18/22 - 3/17/23	\$ 1,286,870	\$ 1,286,870	\$ 1,286,870	\$ -
<b>West Virginia Division of Corrections and Rehabilitation</b>						
Transitional Housing for Paroled Offenders	AMA 0608 DCR 21*08	9/9/2021-9/8/2022	\$ 1,100	\$ 1,100	\$ 1,100	\$ -



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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 Services System, Inc.

We have audited 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, the financial statements of Youth Services System, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 20, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Youth Services System, Inc.'s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Youth Services System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Youth Services System, Inc.'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

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

We noted certain matters that we have reported to management of Youth Services System, Inc. in a separate letter dated December 20, 2022.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Goff Backa Alfera & Company, LLC". The signature is written in a cursive style.

Goff Backa Alfera & Company, LLC  
Pittsburgh, Pennsylvania  
December 20, 2022





Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors  
Youth Services System, Inc.

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Youth Services System, Inc.'s 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 Youth Services System, Inc.'s major federal programs for the year ended June 30, 2022. Youth Services System, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Youth Services System, Inc. 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Youth Services System, Inc. 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 Youth Services System, Inc.'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 Youth Services System, Inc.'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 Youth Services System, Inc.'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 GAAS, *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 Youth Services System, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Youth Services System, Inc.'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 Youth Services System, Inc.'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 Youth Services System, Inc.'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**

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

*Goff Backa Alfera & Company, LLC*

Goff Backa Alfera & Company, LLC  
Pittsburgh, Pennsylvania  
December 20, 2022

**YOUTH SERVICES SYSTEM, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2022**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.259	WIOA Youth Activities
93.959	Block Grants for Preventing and Treatment of Substance Abuse
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings or questioned costs reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs.

**YOUTH SERVICES SYSTEM, INC.**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**JUNE 30, 2022**

**PRIOR AUDIT FINDINGS**

There were no financial statement or federal award findings or questioned costs for the year ended June 30, 2021.