



**YOUTH SERVICES SYSTEM, INC.
SINGLE AUDIT
FOR THE YEARS ENDED JUNE 30, 2021 - 2020**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

YOUTH SERVICES SYSTEM, INC.

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses for the Fiscal Year Ended June 30, 2021	5
Statement of Functional Expenses for the Fiscal Year Ended June 30, 2020	6
Statements of Cash Flows	7
Notes to the Financial Statements	8
Supplementary Information:	
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
Schedule of West Virginia State Grant Receipts and Expenditures	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	24
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	26
Schedule of Audit Findings	28



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

January 17, 2022

Youth Services System, Inc.
87 15th Street
PO Box 6041
Wheeling, WV 26003

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of **Youth Services System, Inc.** (a non-profit organization) (the Corporation) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Services System, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Matters

Other 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 and Schedule of West Virginia State Grant Receipts and Expenditures, as required by Title 2, *U.S Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and WV Code §12-4-14 and CSR §148-18 are presented for purposes of additional analysis and are not required parts 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, 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 information is 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 January 17, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

YOUTH SERVICES SYSTEM, INC.

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

ASSETS	2021	2020
Cash	\$ 886,700	\$ 969,835
Restricted cash	5,961	8,451
Unconditional promises to give	33,400	3,750
Accounts receivable	1,223,118	364,317
Grants receivable	651,127	325,189
Medicaid receivable	99,853	155,833
Prepaid expenses	75,254	99,908
Investments at fair value	2,128,315	1,732,653
Beneficial interest in assets held at Community Foundation	120,868	98,894
Other assets	298,503	283,310
Property, plant, and equipment:		
Land	80,917	80,917
Construction in progress	129,940	96,002
Land improvements	47,327	47,327
Buildings	2,585,752	2,460,752
Building improvements	4,294,976	4,117,240
Leasehold improvements	70,481	70,481
Vehicles	514,467	460,531
Equipment	554,306	535,894
Furniture	35,879	35,404
Total property, plant and equipment	8,314,045	7,904,548
Less: accumulated depreciation	(2,279,186)	(2,173,868)
Net property, plant and equipment	6,034,859	5,730,680
TOTAL ASSETS	11,557,958	9,772,820
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	367,781	488,444
Accrued payroll and other liabilities	393,049	367,796
Refundable advances	894,432	618,669
Capital leases payable	348,157	82,069
PPP Loan payable	-	1,215,400
Current portion long-term debt	123,837	124,483
Long-term debt, net of current portion	2,558,034	2,705,463
Total Liabilities	4,685,290	5,602,324
Net Assets:		
Without Donor Restriction	5,598,653	2,918,454
Without Donor Restriction - Board Designated	150,000	150,000
With Donor Restriction	1,124,015	1,102,042
Total Net Assets	6,872,668	4,170,496
TOTAL LIABILITIES AND NET ASSETS	\$ 11,557,958	\$ 9,772,820

See accompanying notes to the financial statements.

YOUTH SERVICES SYSTEM, INC.

**STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues, Gains and Support:						
Fees from government agencies	\$ 5,941,920	\$ -	\$ 5,941,920	\$ 5,766,867	\$ -	\$ 5,766,867
Grants and contracts from government agencies	3,935,001	-	3,935,001	3,875,632	-	3,875,632
Contributions from the public	878,541	230,273	1,108,814	539,097	196,901	735,998
In-Kind Contributions	864,555	-	864,555	533,171	-	533,171
Other contract income	-	45,000	45,000	-	45,000	45,000
Special events fundraisers less direct expenses	114,164	-	114,164	116,779	-	116,779
Rental income	83,609	-	83,609	110,305	-	110,305
Dividend and interest income	56,475	-	56,475	36,179	-	36,179
PPP Loan Forgiveness	1,280,399	-	1,280,399	-	-	-
Miscellaneous	356,059	-	356,059	136,524	-	136,524
Total revenues, gains and support	13,510,723	275,273	13,785,996	11,114,554	241,901	11,356,455
Net assets released from restrictions	275,273	(275,273)	-	24,744	(24,744)	-
Total revenues, gains and support and restrictions	13,785,996	-	13,785,996	11,139,298	217,157	11,356,455
Operating Expenses:						
Program services:						
Residential services	4,724,440	-	4,724,440	5,638,951	-	5,638,951
Client services	1,307,696	-	1,307,696	1,298,624	-	1,298,624
Community-based services	2,225,486	-	2,225,486	1,355,336	-	1,355,336
Other program services	1,585,229	-	1,585,229	988,890	-	988,890
Supporting services:						
Administration/management	1,774,723	-	1,774,723	1,854,450	-	1,854,450
Total expenses	11,617,574	-	11,617,574	11,136,251	-	11,136,251
Non-Operating Revenues (Expenses)						
Change in value of beneficial interest	-	21,973	21,973	-	10,146	10,146
Gain on disposal of capital assets	151,305	-	151,305	-	-	-
Unrealized gain/(loss) on investments	275,933	-	275,933	465	-	465
Realized gain/(loss) on investments	84,539	-	84,539	63,829	-	63,829
Total Non-Operating Revenues (Expenses)	511,777	21,973	533,750	64,294	10,146	74,440
CHANGE IN NET ASSETS	2,680,199	21,973	2,702,172	67,341	227,303	294,644
NET ASSETS, BEGINNING OF YEAR	3,068,454	1,102,042	4,170,496	3,001,113	874,739	3,875,852
NET ASSETS, END OF YEAR	\$ 5,748,653	\$ 1,124,015	\$ 6,872,668	\$ 3,068,454	\$ 1,102,042	\$ 4,170,496

See accompanying notes to the financial statements.

YOUTH SERVICES SYSTEM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

See accompanying notes to the financial statements.

YOUTH SERVICES SYSTEM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Program Services				Supporting Services	Total
	Residential Services	Client Services	Community-Based Services	Other Program Services	Administration/Management	
Salaries and wages	\$ 2,815,093	\$ 657,027	\$ 771,253	\$ 289,396	\$ 907,183	\$ 5,439,952
Payroll taxes	324,726	64,818	80,195	33,157	89,593	592,489
Employee benefits	448,844	174,197	168,401	21,557	160,589	973,588
Financial Services	13,958	2,742	5,539	2,440	7,241	31,920
Legal	-	-	-	-	7,538	7,538
Marketing/Advertising	163,951	84,865	20,728	94	68,893	338,531
Supplies	845,925	26,182	106,190	560,215	126,906	1,665,418
Telephone	25,721	9,004	12,193	7,377	11,445	65,740
Building and equipment maintenance	81,603	1,135	1,036	1,278	35,244	120,296
Vehicle maintenance	20,989	2,271	3,451	-	6,094	32,805
Utilities	176,876	-	204	676	70,217	247,973
Training	87,712	4,910	14,565	31,371	11,046	149,604
Meetings	80	-	721	-	3,828	4,629
Leases, contracts and licenses	128,449	138,944	93,822	150	157,609	518,974
Insurance	95,913	18,943	21,986	-	-	136,842
Travel	45,070	8,864	33,070	41,179	9,961	138,144
Medical Services	31,788	64,043	-	-	-	95,831
Interest	82,016	1,943	2,689	-	88,523	175,171
Depreciation	248,882	38,424	19,003	-	65,954	372,263
Other expenses	1,355	312	290	-	26,586	28,543
Total Expenses	\$ 5,638,951	\$ 1,298,624	\$ 1,355,336	\$ 988,890	\$ 1,854,450	\$ 11,136,251

See accompanying notes to the financial statements.

YOUTH SERVICES SYSTEM, INC.

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

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	2,702,172	294,644
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	438,125	372,263
Change in value of beneficial interest	(21,974)	(10,146)
Net (gain) loss on investments	(360,472)	-
Gain on disposal of capital assets	(151,305)	
PPP loan forgiveness	(1,215,400)	
Dividend and interest income on investments	-	(36,179)
(Increase) Decrease in Assets:		
Unconditional promises to give	(29,650)	(2,217)
Accounts receivable	(858,801)	175,521
Grants receivable	(325,938)	(1,474)
Medicaid receivable	55,980	(12,134)
Prepaid expenses	24,654	43,618
Other assets	(15,193)	(13,548)
Increase (Decrease) in Liabilities:		
Accounts payable	(120,663)	290,118
Accrued payroll and other liabilities	25,253	24,023
Refundable advances	275,763	(312,726)
Net Cash Provided (Used) by Operating Activities	<u>422,551</u>	<u>811,763</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(770,877)	(1,785,606)
Proceeds from sale of assets	179,878	-
Purchases of investments	(695,941)	(493,482)
Proceeds on sale of investments	660,751	591,677
Net Cash (Used) by Investing Activities	<u>(626,189)</u>	<u>(1,687,411)</u>
FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	1,600,353
Proceeds from capital lease	315,469	-
Payments of long-term debt	(148,075)	(641,536)
Payments of capital lease	(49,381)	(11,481)
Net Cash Provided by Financing Activities	<u>118,013</u>	<u>947,336</u>
INCREASE (DECREASE) IN CASH	(85,625)	71,688
CASH, BEGINNING OF YEAR	<u>978,286</u>	<u>906,598</u>
CASH, END OF YEAR	<u>\$ 892,661</u>	<u>\$ 978,286</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 139,091</u>	<u>\$ 175,171</u>
NON-CASH OPERATING ACTIVITIES:		
In-kind contributions	<u>\$ 864,555</u>	<u>\$ 533,171</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital assets purchased through debt	<u>\$ -</u>	<u>\$ 223,215</u>

See accompanying notes to the financial statements.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 restriction and net assets with donor restriction.

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

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

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. 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 organization are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

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

2021 - With Donor Restriction	
Properties utilized in residential programs	\$ 897,032
Properties utilized in client programs	105,370
Beneficial interest in assets held by Community Foundation	120,868
Endowment contributions held in perpetuity	745
	<u>\$ 1,124,015</u>

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Accounting (Continued)

Net assets with donor restriction are available for the following purposes for 2020:

2020 - With Donor Restriction	
Properties utilized in residential programs	\$ 897,033
Properties utilized in client programs	105,370
Beneficial interest in assets held by Community Foundation	98,894
Endowment contributions held in perpetuity	745
	<u>\$ 1,102,042</u>

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 \$5,961 and \$8,451 for 2021 and 2020, respectively. Restricted investments were \$0 and \$0 for 2021 and 2020, respectively.

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.

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.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$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 restriction to net assets without donor restriction 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 restriction at the time they are acquired.

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.

Revenue Recognition

Contributions received are recorded as support without donor restriction and with donor restriction depending on the existence or nature of any donor restrictions in the period the commitment is made. Support with restriction is reclassified to net assets without restriction 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.

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 \$864,555 and \$533,171 for the years ended June 30, 2021 and 2020.

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.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with 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.

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, 2021, 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 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

3. UNCONDITIONAL PROMISES TO GIVE

There are no allowances for uncollectible accounts at June 30, 2021 and 2020 as all unconditional promises to give are expected to be collected in full within the next fiscal year.

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated net of an allowance for uncollectible amounts of \$0 and \$420 at June 30, 2021 and 2020. 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.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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.

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 Input (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>

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:			
Cash and Cash Equivalents	\$ 219,854	\$ -	\$ -
Fixed Income Mutual Funds	346,600	-	-
Equity Mutual Funds	135,315	-	-
Equity Securities	1,030,884	-	-
Beneficial Interest in Assets Held at Community Foundation	-	-	98,894
	<u>\$ 1,732,653</u>	<u>\$ -</u>	<u>\$ 98,894</u>

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

6. INVESTMENTS

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

	<u>Cost</u>	<u>Fair Market Value</u>
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
	<u>\$ 915,586</u>	<u>\$2,128,315</u>

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

	<u>Amount</u>
Unrealized gains (losses)	\$ 275,933
Realized gains (losses)	84,539
Interest and dividend income	56,475
	<u>\$ 416,947</u>

The Corporation has investments which are stated at fair value. Investments at June 30, 2020 consisted of:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash and Cash Equivalents	\$ 219,854	\$ 219,854
Fixed Income Mutual Funds	334,584	346,600
Equity Mutual Funds	126,501	135,315
Equity Securities	868,094	1,030,884
	<u>\$ 1,549,033</u>	<u>\$ 1,732,653</u>

Investment income for the year ended June 30, 2020 consisted of the following:

	<u>Amount</u>
Unrealized gains (losses)	\$ 465
Realized gains (losses)	63,829
Interest and dividend income	36,179
Investment fees	(17,943)
	<u>\$ 82,530</u>

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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 in 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 in the Statement of Financial Position at the fair market value of the Corporation's interest in the fund, which amounted to \$120,868 and \$98,894 at June 30, 2021 and 2020. The change in value of the beneficial interest in assets held by the Community Foundation is recorded as permanently restricted change in value of beneficial interest in the Statement of Activities.

The increase in value of the beneficial interest in assets held by the Community Foundation (investment return retained in the fund) totaled \$21,973 and \$10,146 for the fiscal years ended June 30, 2021 and 2020, respectively.

8. OTHER ASSETS

Other assets consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Lease deposits	\$ 200	\$ 100
Cash surrender value - Life insurance	<u>298,303</u>	<u>283,210</u>
	<u>\$ 298,503</u>	<u>\$ 283,310</u>

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of:

	<u>2021</u>	<u>2020</u>
Construction work in progress	\$ 129,940	\$ 96,002
Land	80,917	80,917
Land Improvement	47,327	47,327
Buildings	2,585,752	2,460,752
Building improvements	4,294,976	4,117,240
Leasehold improvements	70,481	70,481
Vehicles	514,467	460,531
Equipment	554,306	535,894
Furniture	<u>35,879</u>	<u>35,404</u>
	8,314,045	7,904,548
Less accumulated depreciation	<u>(2,279,186)</u>	<u>(2,173,868)</u>
	<u>\$ 6,034,859</u>	<u>\$ 5,730,680</u>

Depreciation expense totaled \$438,125 and \$372,263 for the fiscal years ended June 30, 2021 and 2020, respectively.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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:

	2021	2020
WV BHHF Grants	\$ 286,865	\$ 56,770
Federal Home Loan Bank Affordable Housing Program	548,613	548,613
Miscellaneous Advances	58,954	13,286
	\$ 894,432	\$ 618,669

11. CAPITAL LEASE PAYABLE

The Corporation currently has 25 vehicles under multiple capital lease agreements. The vehicles have a net book value of \$426,933 and \$142,374 at June 30, 2021 and 2020, respectively. Interest on these capital leases vary between 6-9% per annum.

Scheduled future payments of Capital Leases including interest for the year ended June 30, 2021 are as follows:

	Vehicles
2022	\$ 95,615
2023	88,646
2024	92,440
2025	96,325
2026	29,194
	\$ 402,220

Scheduled future payments of Capital Leases including interest for the year ended June 30, 2020 are as follows:

	Vehicles
2021	\$ 41,846
2022	20,551
2023	13,678
2024	5,994
	\$ 82,069

12. LONG-TERM DEBT

Long-term debt consisted of the following:

The Corporation had a construction loan with BB&T for the Youth Achievement Center. The Corporation converted this loan to a permanent loan on December 1, 2015. The outstanding balance at June 30, 2020 and 2021 was \$677,151 and \$646,885 with interest at 4.80% per annum.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

12. LONG-TERM DEBT (CONTINUED)

The Corporation consolidated debt during FY2016 with BB&T. The ending balance at June 30, 2020 and 2021 was \$1,204,316 and \$1,167,177 with interest at 4.50% per annum.

The Corporation acquired a loan with Lease Corporation of America for the purchase of copiers on September 27, 2016. The ending balance at June 30, 2020 and 2021 was \$9,325 and \$2,332.

The Corporation had a line of credit to provide for additional working capital requirements with BB&T at a variable interest rate. The ending balance at June 30, 2020 and 2021 was \$0 and \$0.

The Corporation acquired a loan for the installation of a sprinkler system on October 19, 2017. The ending balance at June 30, 2020 and June 30, 2021 was \$348,977 and \$321,101 with interest at 4.95% per annum.

The Corporation acquired a loan from BB&T related to The Efficiency Network in FY2019. The ending balance at June 30, 2020 and June 30, 2021 was \$590,177 and \$544,376 with interest at 5.95%.

The Corporation acquired a loan under the Paycheck Protection Program in response to the COVID-19 pandemic during FY 2020. The full amount was approved for loan forgiveness in FY 2021.

The following is a summary of change in long-term debt for the year ended June 30, 2021:

Description	6/30/2020	Issued	Retired	6/30/2021	Due Within One Year
MOS Loan Payable	\$ 9,325	\$ -	\$ (6,993)	\$ 2,332	\$ 2,332
BB&T RCMJC Sprinkler	348,977	-	(27,876)	321,101	22,627
BB&T Youth Achievement	677,151	-	(30,266)	646,885	32,321
BB&T Consolidation	1,204,316	-	(37,139)	1,167,177	34,661
BB&T TEN	590,177	-	(45,801)	544,376	31,896
PPP Loan	1,215,400	-	(1,215,400)	-	-
	<u>\$4,045,346</u>	<u>\$ -</u>	<u>\$(1,363,475)</u>	<u>\$2,681,871</u>	<u>\$ 123,837</u>

The BB&T TEN loan was not fully drawn as of June 30, 2021, so an amortization schedule could not yet be provided for it.

	Principal	Interest	Total
2022	\$ 123,954	\$ 133,926	\$ 257,880
2023	1,501,075	91,122	1,592,197
2024	514,206	45,674	559,880
2025	542,636	19,181	561,817
	<u>\$2,681,871</u>	<u>\$ 289,903</u>	<u>\$2,971,774</u>

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

12. 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.

13. 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.

Employee contributions approximated \$0 and \$8,917 for June 30, 2021 and 2020. There were no employer contributions for June 30, 2021 and 2020.

Employee benefits, shown in the Statement of Functional Expenses, total \$999,945 and \$1,041,862, for the years ending June 30, 2021 and 2020, consisting of medical insurance benefits.

Cafeteria Plan

The Corporation offers to employees a flexible benefits 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. An estimated liability for compensated annual leave of \$188,928 and \$176,169 is reflected in the Statement of Financial Position as part of accrued payroll and other liabilities at June 30, 2021 and 2020.

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

14. SPECIAL EVENT FUNDRAISERS

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

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

Various special event fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30, 2020:

	Good Samaritan Dinner	Festival	Sleep Out	Other	Total
Special event revenue	\$ 11,929	\$ 32,062	\$ 62,058	\$ 27,001	\$133,050
Less direct expenses for each fundraiser	<u>(7,973)</u>	<u>(1,405)</u>	<u>(6,542)</u>	<u>(351)</u>	<u>(16,271)</u>
	<u>\$ 3,956</u>	<u>\$ 30,657</u>	<u>\$ 55,516</u>	<u>\$ 26,650</u>	<u>\$116,779</u>

15. CONCENTRATIONS

Youth Services System, Inc. maintains their bank accounts in several financial institutions located in the area. At June 30, 2021 and 2020, 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 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%).

For 2020, the Corporation received major concentrations of fee revenue and grant support from West Virginia Department of Health and Human Resources (18%), the West Virginia Division of Juvenile Services (29%), and Medicaid revenues (10%).

16. 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 \$35,400 were paid by the Corporation for the fiscal year ending June 30, 2021 and 2020. A cash surrender value of this policy is \$298,303 and \$283,210 at June 30, 2021 and 2020, respectively.

**YOUTH SERVICES SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

17. 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.

18. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Corporation's financial assets as of June 30, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets, at year end:		
Cash	\$ 886,700	\$ 969,835
Restricted cash	5,961	8,451
Unconditional promises to give	33,400	3,750
Accounts receivable	1,223,118	364,317
Grants receivable	659,331	325,189
Medicaid receivable	91,649	155,833
Investments at fair value	2,128,315	1,732,653
Beneficial interest in assets held at Community Foundation	120,868	98,894
Subtotal Financial assets, at year end	<u>5,149,342</u>	<u>3,658,922</u>
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for time or purpose	(1,003,147)	(1,006,709)
Beneficial interest in assets held at Community Foundation	<u>(120,868)</u>	<u>(98,894)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 4,025,327</u>	<u>\$ 2,553,319</u>

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 THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

19. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events and transactions that occurred after the date of the statement of net assets up to the date that the financial statements were issued. Management is continuing to evaluate the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Corporation's financial position and/or the results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Youth Services System, Inc.
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/ Pass Through Grantor / Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through The West Virginia Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	N/A	\$ -	\$ 31,710
National School Lunch Program	10.555	N/A	-	61,591
Total Child Nutrition Cluster			-	93,301
Total U.S. Department of Agriculture			-	93,301
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through The City of Wheeling, WV</i>				
Community Development Block Grant/Entitlement Grants	14.218	N/A	-	16,753
Total Pass Through			-	16,753
<i>Passed Through The West Virginia Development Office- CAD</i>				
Emergency Solutions Grant	14.231	21*3220		25,000
Total Pass Through			-	25,000
Total U.S. Department of Housing and Urban Development			-	41,753
U.S. DEPARTMENT OF LABOR				
<i>Passed Through The West Virginia Department of Labor - Northern Panhandle Workforce Investment Board:</i>				
WIA Cluster:				
Workforce Investment Act - Youth Activities	17.259	N/A	-	478,000
Total U.S. Department of Labor			-	478,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct Programs:</i>				
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-01-00	-	58,133
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-01-00	-	108,970
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-01-01	-	25,117
Total Runaway and Homeless Youth - Basic Center Program			-	192,220
Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7274-01-00	-	31,876
Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7274-02-00	-	139,317
Runaway and Homeless Youth - Transitional Living Program - Additional Costs COVID	93.550	90CX7274-02-01	-	40,134
Total Runaway and Homeless Youth - Transitional Living Program			-	211,327
<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	G200855	-	58,558
State System of Care	93.104	G210634	-	45,003
Total Comprehensive Community Mental Health Services for Children with SED			-	103,561
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200581	-	120,821
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G210583	-	145,452
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200838	-	16,746
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200871	-	44,541
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G210848	-	24,162
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200564	-	1,069
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G210570	-	13,307
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance			-	366,098
Block Grants for Community Mental Health Services	93.958	G200699	-	50,238
Block Grants for Community Mental Health Services	93.958	G210521	-	132,739
Total Block Grants for Community Mental Health Services			-	182,977
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G200699	-	62,645
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G210556	-	184,651
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G200729	13,411	41,366
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G210577	40,223	66,963
Total Block Grant for Prevention and Treatment of Substance Abuse			53,634	355,625
Chafee Foster Care Independence Program	93.674	G200105	-	40,320
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G190738	-	370,194
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200756	-	303,070
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200878	-	70,804
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.768	G210832	-	36,632
Injury Prevention and Control Research and State and Community Based Programs	93.136	G200884	-	40,000
Total Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis			-	820,700
Total U.S. Department of Health and Human Services			53,634	2,272,828
Total Federal Financial Assistance			\$ 53,634	\$ 2,885,882

YOUTH SERVICES SYSTEM, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021. 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 WEST VIRGINIA STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Award Agency: Grant Name	Grant ID Number	Period of Award	Total Grant	Total Receipts	Total Expenditures	Unexpended Balance
West Virginia Department of Health and Human Resources:						
Casework Grant	G210021	7/1/20 - 6/30/21	\$ 611,118	\$ 611,118	\$ 543,904	\$ 67,214
Expanded School Based Mental Health	G210361	7/1/20 - 6/30/21	150,000	150,000	150,000	-
Jobs Skills Development	G210127	7/1/20 - 6/30/21	10,800	10,080	10,080	-
Recovery Facility MAT	G200912	3/1/20 - 6/30/21	45,000	45,000	45,000	-
West Virginia Department of Education:						
West Virginia State Child Nutrition Matching Grant	GRTAWD04022100005186	4/10/21 - 6/30/22	1,500	1,500	-	1,500
West Virginia Division of Juvenile Services:						
Ronald C. Mulholland Juvenile Detention Facility Program	N/A	7/1/20 - 6/30/21	2,798,970	2,798,970	2,798,970	-
Ronald C. Mulholland Juvenile Substance Abuse Program	N/A	3/19/20 - 3/17/22	575,940	575,940	575,940	-



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

January 17, 2022

Youth Services System, Inc.
87 15th Street
PO Box 6041
Wheeling, WV 26003

To the Board of Directors:

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.** (a non-profit organization) (the Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement 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 January 17, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. 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 internal control deficiencies 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio



313 Second St.
Marietta, Oh 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

January 17, 2022

Youth Services System, Inc.
87 15th Street
P.O. Box 6041
Wheeling, WV 26003

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited **Youth Services System, Inc.'s** (a non-profit organization) (the Corporation) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Corporation's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Corporation's major federal program.

Management's Responsibility

The Corporation's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Corporation's compliance for the Corporation's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.



Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The Corporation's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Corporation's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**YOUTH SERVICES SYSTEM, INC.
SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	State Targeted Response to the Opioid Crisis: Substance Abuse and Mental Health Services, ALN 93.788, Injury Prevention and Control Research and State and Community Based Programs, ALN 93.136
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None