



**YOUTH SERVICES SYSTEM, INC.  
SINGLE AUDIT  
FOR THE YEARS ENDED JUNE 30, 2020 - 2019**

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Marietta, OH 45750  
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Vienna, WV 26105  
304 422 2203

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St. Clairsville, OH 43950  
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YOUTH SERVICES SYSTEM, INC.

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## INDEPENDENT AUDITOR'S REPORT

December 24, 2020

Youth Services System, Inc.  
87 15<sup>th</sup> 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, 2020 and 2019, 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.

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**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, 2020 and 2019, 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 December 24, 2020, 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, 2020 AND 2019**

ASSETS	2020	2019
Cash	\$ 969,835	\$ 703,752
Restricted cash	8,451	2,846
Unconditional promises to give	3,750	1,533
Accounts receivable	364,317	539,838
Grants receivable	325,189	323,715
Medicaid receivable	155,833	143,699
Prepaid expenses	99,908	143,526
Investments at fair value	1,732,653	1,615,693
Restricted investments	-	200,000
Beneficial interest in assets held at Community Foundation	98,894	88,748
Other assets	283,310	269,762
Property, plant, and equipment:		
Land	80,917	80,917
Construction in progress	96,002	297,422
Land improvements	47,327	47,327
Buildings	2,460,752	2,460,752
Building improvements	4,117,240	2,395,355
Leasehold improvements	70,481	70,481
Vehicles	460,531	478,755
Equipment	535,894	535,894
Furniture	35,404	35,404
Total property, plant and equipment	7,904,548	6,402,307
Less: accumulated depreciation	(2,173,868)	(1,874,541)
Net property, plant and equipment	5,730,680	4,527,766
<b>TOTAL ASSETS</b>	<b>9,772,820</b>	<b>8,560,878</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	488,444	198,326
Accrued payroll and other liabilities	367,796	343,773
Refundable advances	618,669	931,395
Capital leases payable	82,069	93,550
Line of credit payable	-	550,347
PPP Loan payable	1,215,400	-
Current portion long-term debt	124,483	116,255
Long-term debt, net of current portion	2,705,463	2,451,380
Total Liabilities	5,602,324	4,685,026
Net Assets:		
Without Donor Restriction	2,918,454	2,851,113
Without Donor Restriction - Board Designated	150,000	150,000
With Donor Restriction	1,102,042	874,739
Total Net Assets	4,170,496	3,875,852
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,772,820</b>	<b>\$ 8,560,878</b>

See accompanying notes to the financial statements.

**YOUTH SERVICES SYSTEM, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues, Gains and Support:						
Fees from government agencies	\$ 5,766,867	\$ -	\$ 5,766,867	\$ 6,109,917	\$ -	\$ 6,109,917
Grants and contracts from government agencies	3,875,632	-	3,875,632	3,484,912	-	3,484,912
Contributions from the public	539,097	196,901	735,998	304,909	82,500	387,409
In-Kind Contributions	533,171	-	533,171	402,046	-	402,046
Other contract income	-	45,000	45,000	-	18,400	18,400
Special events fundraisers less direct expenses	116,779	-	116,779	58,663	-	58,663
Rental income	110,305	-	110,305	100,797	-	100,797
Dividend and interest income	36,179	-	36,179	34,815	-	34,815
Miscellaneous	136,524	-	136,524	56,820	-	56,820
Total revenues, gains and support	11,114,554	241,901	11,356,455	10,552,879	100,900	10,653,779
Net assets released from restrictions	24,744	(24,744)	-	153,770	(153,770)	-
Total revenues, gains and support and restrictions	11,139,298	217,157	11,356,455	10,706,649	(52,870)	10,653,779
Operating Expenses:						
Program services:						
Residential services	5,638,951	-	5,638,951	4,994,198	-	4,994,198
Client services	1,298,624	-	1,298,624	1,498,996	-	1,498,996
Community-based services	1,355,336	-	1,355,336	1,810,728	-	1,810,728
Other program services	988,890	-	988,890	974,087	-	974,087
Supporting services:						
Administration/management	1,854,450	-	1,854,450	1,775,035	-	1,775,035
Total expenses	11,136,251	-	11,136,251	11,053,044	-	11,053,044
Non-Operating Revenues (Expenses)						
Change in value of beneficial interest	-	10,146	10,146	-	11,774	11,774
Unrealized gain/(loss) on investments	465	-	465	57,724	-	57,724
Realized gain/(loss) on investments	63,829	-	63,829	31,793	-	31,793
Total Non-Operating Revenues (Expenses)	64,294	10,146	74,440	89,517	11,774	101,291
CHANGE IN NET ASSETS	67,341	227,303	294,644	(256,878)	(41,096)	(297,974)
NET ASSETS, BEGINNING OF YEAR	3,001,113	874,739	3,875,852	3,257,991	915,835	4,173,826
NET ASSETS, END OF YEAR	\$ 3,068,454	\$ 1,102,042	\$ 4,170,496	\$ 3,001,113	\$ 874,739	\$ 3,875,852

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
<b>Total Expenses</b>	<b>\$ 5,638,951</b>	<b>\$ 1,298,624</b>	<b>\$ 1,355,336</b>	<b>\$ 988,890</b>	<b>\$ 1,854,450</b>	<b>\$ 11,136,251</b>

See accompanying notes to the financial statements.

**YOUTH SERVICES SYSTEM, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services	Total
	Residential Services	Client Services	Community-Based Services	Other Program Services	Administration/Management	
Salaries and wages	\$ 2,710,548	\$ 660,731	\$ 898,726	\$ 349,850	\$ 947,148	\$ 5,567,003
Payroll taxes	331,206	68,157	86,113	38,816	93,994	618,286
Employee benefits	478,692	186,536	186,642	33,004	156,988	1,041,862
Financial Services	14,182	4,252	2,009	224	13,772	34,439
Legal	-	-	-	-	534	534
Marketing/Advertising	-	191,009	164,792	-	26,328	382,129
Supplies	549,884	74,448	177,305	416,419	65,308	1,283,364
Telephone	28,079	7,605	9,645	4,132	16,489	65,950
Building and equipment maintenance	128,822	1,357	1,170	497	37,911	169,757
Vehicle maintenance	17,225	2,026	4,137	-	7,693	31,081
Utilities	154,114	453	189	146	72,105	227,007
Training	43,792	31,018	60,110	54,264	13,996	203,180
Meetings	-	23	714	-	8,833	9,570
Leases, contracts and licenses	73,407	192,953	122,129	150	133,015	521,654
Insurance	77,960	16,217	18,822	-	15	113,014
Travel	34,003	10,629	55,061	76,585	10,419	186,697
Medical Services	45,966	36,833	-	-	-	82,799
Interest	81,358	1,951	2,228	-	72,634	158,171
Depreciation	224,546	12,330	20,553	-	72,416	329,845
Other expenses	414	468	383	-	25,437	26,702
<b>Total Expenses</b>	<b>\$ 4,994,198</b>	<b>\$ 1,498,996</b>	<b>\$ 1,810,728</b>	<b>\$ 974,087</b>	<b>\$ 1,775,035</b>	<b>\$ 11,053,044</b>

See accompanying notes to the financial statements.



**YOUTH SERVICES SYSTEM, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	294,644	(297,974)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	372,263	318,470
Change in value of beneficial interest	(10,146)	(11,774)
Net (gain) loss on investments	-	(89,517)
Dividend and interest income on investments	(36,179)	(34,815)
(Increase) Decrease in Assets:		
Unconditional promises to give	(2,217)	84
Accounts receivable	175,521	(114,824)
Grants receivable	(1,474)	33,746
Medicaid receivable	(12,134)	(76,035)
Prepaid expenses	43,618	9,457
Other assets	(13,548)	(35,035)
Increase (Decrease) in Liabilities:		
Accounts payable	290,118	(187,594)
Accrued payroll and other liabilities	24,023	3,423
Refundable advances	(312,726)	318,329
Net Cash Provided (Used) by Operating Activities	<u>811,763</u>	<u>(164,059)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,785,606)	(618,865)
Purchases of investments	(493,482)	(895,383)
Proceeds on sale of investments	591,677	1,018,941
Net Cash (Used) by Investing Activities	<u>(1,687,411)</u>	<u>(495,307)</u>
FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,600,353	869,394
Payments of long-term debt	(641,536)	(291,441)
Payments of capital lease	(11,481)	(122,164)
Net Cash Provided by Financing Activities	<u>947,336</u>	<u>455,789</u>
INCREASE (DECREASE) IN CASH	71,688	(203,577)
CASH, BEGINNING OF YEAR	<u>906,598</u>	<u>1,110,175</u>
CASH, END OF YEAR	<u>\$ 978,286</u>	<u>\$ 906,598</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 175,171</u>	<u>\$ 128,749</u>
NON-CASH OPERATING ACTIVITIES:		
In-kind contributions	<u>\$ 533,171</u>	<u>\$ 402,046</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital assets purchased through debt	<u>\$ 223,215</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, 2020 AND 2019**

**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 Foundation 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 2020:

2020 - With Donor Restriction	
Properties utilized in residential programs	\$ 900,594
Properties utilized in client programs	105,370
Beneficial interest in assets held by Community Foundation	98,894
Endowment contributions held in perpetuity	745
	<u>\$ 1,105,603</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Asset Accounting (Continued)**

Net assets with donor restriction are available for the following purposes for 2019:

2019 - With Donor Restriction	
Unexpended donations with restrictions	\$ 18,850
Properties utilized in residential programs	661,026
Properties utilized in client programs	105,370
Beneficial interest in assets held by Community Foundation	88,748
Endowment contributions held in perpetuity	745
	<u>\$ 874,739</u>

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**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 \$8,451 and \$2,846 for 2020 and 2019, respectively. Restricted investments were \$0 and \$200,000 for 2020 and 2019, 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, 2020 AND 2019**

**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 \$533,171 and \$402,046 for the years ended June 30, 2020 and 2019.

**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, 2020 AND 2019**

**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, 2020, 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 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**Accounting Standards Updates**

In 2019, the Corporation adopted ASU No. 2016-14 – Not-for-Profit Entities: (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting expenses by both natural and functional classification; reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets.

As a result of the implementation, what was formerly classified as temporarily restricted net assets and unrestricted net assets are now classified as net assets with donor restriction and net assets without donor restriction, respectively.

**3. UNCONDITIONAL PROMISES TO GIVE**

There are no allowances for uncollectible accounts at June 30, 2020 and 2019 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 \$420 and \$570 at June 30, 2020 and 2019. 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, 2020 AND 2019**

**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, 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>

Fair values of assets measured on a recurring basis at June 30, 2019 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	\$ 117,085	\$ -	\$ -
Fixed Income Mutual Funds	330,141	-	-
Equity Mutual Funds	106,295	-	-
Equity Securities	1,062,172	-	-
Beneficial Interest in Assets Held at Community Foundation	-	-	88,748
	<u>\$ 1,615,693</u>	<u>\$ -</u>	<u>\$ 88,748</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**6. INVESTMENTS**

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>

The Corporation has investments which are stated at fair value. Investments at June 30, 2019 consisted of:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash and Cash Equivalents	\$ 117,085	\$ 117,085
Fixed Income Mutual Funds	328,995	330,141
Equity Mutual Funds	103,026	106,295
Equity Securities	919,673	1,062,171
	<u>\$ 1,468,779</u>	<u>\$ 1,615,692</u>

Investment income for the year ended June 30, 2019 consisted of the following:

	<u>Amount</u>
Unrealized gains (losses)	\$ 57,724
Realized gains (losses)	31,793
Interest and dividend income	32,120
Investment fees	(13,520)
	<u>\$ 108,117</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**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 \$85,187 and \$88,748 at June 30, 2020 and 2019. 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 \$0 and \$11,774 for the fiscal years ended June 30, 2020 and 2019, respectively.

**8. OTHER ASSETS**

Other assets consisted of the following at June 30, 2020 and 2019:

	2020	2019
Lease deposits	\$ 100	\$ 100
Cash surrender value - Life insurance	283,210	269,662
	\$ 283,310	\$ 269,762

**9. PROPERTY AND EQUIPMENT**

Property and equipment consisted of:

	2020	2019
Construction work in progress	\$ 96,002	\$ 297,422
Land	80,917	80,917
Land Improvement	47,327	47,327
Buildings	2,460,752	2,460,752
Building improvements	4,117,240	2,395,355
Leasehold improvements	70,481	70,481
Vehicles	460,531	478,755
Equipment	535,894	535,894
Furniture	35,404	35,404
	7,904,548	6,402,307
Less accumulated depreciation	(2,173,868)	(1,874,541)
	\$ 5,730,680	\$ 4,527,766

Depreciation expense totaled \$372,263 and \$329,845 for the fiscal years ended June 30, 2020 and 2019, respectively.



**YOUTH SERVICES SYSTEM, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**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:

	<u>2020</u>	<u>2019</u>
WV BHHF Grants	\$ 56,770	\$ 356,971
Federal Home Loan Bank Affordable Housing Program	548,613	548,613
Miscellaneous Advances	<u>13,286</u>	<u>25,811</u>
	<u>\$ 618,669</u>	<u>\$ 931,395</u>

**11. CAPITAL LEASE PAYABLE**

The Corporation acquired its copiers under multiple capital lease agreements. The copiers have a net book value of \$0 and \$1,641 at June 30, 2020 and 2019, respectively. Interest on these capital leases is 17.9% per annum.

The Corporation currently has 25 vehicles under multiple capital lease agreements. The vehicles have a net book value of \$142,374 and \$156,298 at June 30, 2020 and 2019, respectively. Interest on these capital leases vary between 12-20% per annum.

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

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

Scheduled future payments of Capital Leases including interest for the year ended June 30, 2019 are as follows:

	<u>Copiers</u>	<u>Vehicles</u>
2020	\$ 1,306	\$62,010
2021	-	23,361
2022	-	6,873
	<u>\$ 1,306</u>	<u>\$92,244</u>

**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, 2019 and 2020 was \$706,114 and \$677,151 with interest at 4.80% per annum.

**YOUTH SERVICES SYSTEM, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**12. LONG-TERM DEBT (CONTINUED)**

The Corporation consolidated debt during FY2016 with BB&T. The ending balance at June 30, 2019 and 2020 was \$1,239,658 and \$1,204,316 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, 2019 and 2020 was \$16,317 and \$9,325.

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, 2019 and 2020 was \$550,347 and \$0.

The Corporation acquired a loan for the installation of a sprinkler system on October 19, 2017. The ending balance at June 30, 2019 and June 30, 2020 was \$368,868 and \$348,978 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, 2019 and June 30, 2020 was \$240,047 and \$590,176 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. It is not yet known if the funds will be approved for forgiveness, and no payment scheduled has been created. The entire amount is listed as long-term debt until such decisions have been made by the Small Business Administration.

The following is a summary of change in long-term debt for the year ended June 30, 2020:

Description	Balance 6/30/2019	Issued	Retired	Balance 6/30/2020	Due Within One Year
MOS Loan Payable	\$ 16,314	\$ -	\$ (6,989)	\$ 9,325	\$ 6,992
BB&T RCMJC Sprinkler	365,502	-	(16,525)	348,977	20,976
BB&T Youth Achievement	706,114	-	(28,963)	677,151	30,432
BB&T Consolidation	1,239,658	-	(35,342)	1,204,316	36,897
BB&T Line of Credit	550,347	-	(550,347)	-	-
BB&T TEN	240,047	384,954	(34,824)	590,177	29,187
PPP Loan	-	1,215,400	-	1,215,400	-
	<u>\$3,117,982</u>	<u>\$1,600,354</u>	<u>\$(672,990)</u>	<u>\$4,045,346</u>	<u>\$ 124,484</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**12. LONG-TERM DEBT (CONTINUED)**

The BB&T TEN loan was not fully drawn as of June 30, 2020, so an amortization schedule could not yet be provided for it. The PPP Loan has not received a decision on forgiveness as of June 30, 2020, so an amortization schedule is not yet available for it. Scheduled future maturities of all other long-term debt including interest are as follows:

	Principal	Interest	Total
2021	\$ 124,483	\$ 136,959	\$ 261,442
2022	125,850	130,932	256,782
2023	412,650	113,584	526,234
2024	112,207	104,231	216,438
2025	118,002	98,436	216,438
2026-2030	688,165	394,025	1,082,190
2031-2035	791,092	199,846	990,938
2036-2040	415,109	126,709	541,818
2041-2042	42,388	93,680	136,068
	<u>\$2,829,946</u>	<u>\$1,398,402</u>	<u>\$4,228,348</u>

The following is a summary of change in long-term debt for the year ended June 30, 2019:

Description	Balance			Balance 6/30/2019	Due Within One Year
	6/30/2018	Issued	Retired		
MOS Loan Payable	\$ 23,307	\$ -	\$ (6,993)	\$ 16,314	\$ 6,992
BB&T RCMJC Sprinkler	387,854	-	(22,352)	365,502	18,109
BB&T Youth Achievement	733,675	-	(27,561)	706,114	29,008
BB&T Consolidation	1,273,568	-	(33,910)	1,239,658	35,257
BB&T Line of Credit	125,000	629,347	(204,000)	550,347	550,347
BB&T TEN	-	240,047	-	240,047	26,889
	<u>\$2,543,404</u>	<u>\$ 869,394</u>	<u>\$(294,816)</u>	<u>\$3,117,982</u>	<u>\$ 666,602</u>

Scheduled future maturities of long-term debt including interest are as follows:

	Principal	Interest	Total
2020	\$ 639,713	\$ 108,650	\$ 748,363
2021	95,296	102,720	198,016
2022	94,878	98,477	193,355
2023	378,199	83,023	461,222
2024	77,331	75,680	153,011
2025-2029	445,192	319,867	765,059
2030-2034	561,121	203,937	765,058
2035-2039	457,137	84,680	541,817
2040-2042	129,068	7,000	136,068
	<u>\$2,877,935</u>	<u>\$1,084,034</u>	<u>\$3,961,969</u>

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**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.

**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.

Employee contributions approximated \$8,917 and \$15,396 for June 30, 2020 and 2019. There were no employer contributions for June 30, 2020 and 2019.

Employee benefits, shown in the Statement of Functional Expenses, total \$1,041,862 and \$967,676, for the year ending June 30, 2020 and 2019, 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 90 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 sixty 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 \$176,169 and \$182,884 is reflected in the Statement of Financial Position as part of accrued payroll and other liabilities at June 30, 2020 and 2019.

**YOUTH SERVICES SYSTEM, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**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 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>

Various special event fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30, 2019:

	Good Samaritan Dinner	Festival	Sleep Out	Challenge Wheeling	Other	Total
Special event revenue	\$ 7,085	\$ 5,730	\$ 57,675	\$ 3,100	\$ 11,187	\$ 84,777
Less direct expenses for each fundraiser	<u>(9,738)</u>	<u>(1,086)</u>	<u>(14,693)</u>	<u>-</u>	<u>(597)</u>	<u>(26,114)</u>
	<u>\$ (2,653)</u>	<u>\$ 4,644</u>	<u>\$ 42,982</u>	<u>\$ 3,100</u>	<u>\$ 10,590</u>	<u>\$ 58,663</u>

**16. CONCENTRATIONS**

Youth Services System, Inc. maintains their bank accounts in several financial institutions located in the area. At June 30, 2020 and 2019, 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 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%).

For 2019, the Corporation received major concentrations of fee revenue and grant support from West Virginia Department of Health and Human Resources (24%), the West Virginia Division of Juvenile Services (29%), and Medicaid revenues (8%).

**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 \$35,400 were paid by the Corporation for the fiscal year ending June 30, 2020 and 2019. A cash surrender value of this policy is \$283,210 and \$269,662 at June 30, 2020 and 2019, respectively.

**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.

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**19. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Corporation's financial assets as of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets, at year end:		
Cash	\$ 969,835	\$ 703,752
Restricted cash	8,451	2,846
Unconditional promises to give	3,750	1,533
Accounts receivable	364,317	539,838
Grants receivable	325,189	323,715
Medicaid receivable	155,833	143,699
Investments at fair value	1,732,653	1,615,693
Restricted investments	-	200,000
Beneficial interest in assets held at Community Foundation	98,894	88,748
Subtotal Financial assets, at year end	<u>3,658,922</u>	<u>3,619,824</u>
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for time or purpose	(1,006,709)	(785,991)
Beneficial interest in assets held at Community Foundation	<u>(98,894)</u>	<u>(88,748)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 2,553,319</u>	<u>\$ 2,745,085</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.

**20. 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 currently evaluating 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, 2020**

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	\$ -	\$ 33,341
National School Lunch Program	10.555	N/A	-	62,450
Total Child Nutrition Cluster			-	95,791
<b>Total U.S. Department of Agriculture</b>			-	95,791
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through The Mid Atlantic Network for Youth:</i>				
Juvenile Mentoring Program	16.726	2017-JU-FX-0004	-	41,951
<b>Total U.S. Department of Justice</b>			-	41,951
<b>U.S. DEPARTMENT OF LABOR</b>				
<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
<b>Total U.S. Department of Labor</b>			-	478,000
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Direct Programs:</i>				
Runaway and Homeless Youth - Basic Center Program	93.623	90CY6828-03-00	-	29,001
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-01-00	-	101,867
Runaway and Homeless Youth - Basic Center Program	93.623	90CY7101-01-01	-	2,020
Total Runaway and Homeless Youth - Basic Center Program			-	132,888
Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7274-01-00	-	39,636
Runaway and Homeless Youth - Transitional Living Program	93.550	90CX7274-02-00	-	166,961
Runaway and Homeless Youth - Transitional Living Program - Additional Costs COVID	93.550	90CX7274-02-01	-	11,121
Total Runaway and Homeless Youth - Transitional Living Program			-	217,718
<i>Passed Through The Ohio County (WV) Substance Abuse Prevention Coalition:</i>				
Drug Free Communities Support Program Grant	93.276	5H79SP015746-10	-	50,578
<i>Passed Through The West Virginia Department of Health and Human Resources:</i>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	G200855	-	12,794
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G190604	-	157,915
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G190357	-	16,024
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G190365	-	9,610
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200564	-	33,197
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200838	-	35,254
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	G200581	-	200,853
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance			-	452,853
Block Grants for Community Mental Health Services	93.958	G190524	-	111,423
Block Grants for Community Mental Health Services	93.958	G200699	-	129,762
Total Block Grants for Community Mental Health Services			-	241,185
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G190524	-	110,380
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G200699	-	217,355
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G200729	20,589	74,442
Block Grant for Prevention and Treatment of Substance Abuse	93.959	G190450	13,779	72,802
Total Block Grant for Prevention and Treatment of Substance Abuse			34,368	474,979
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	-	166,339
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200756	-	182,142
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200878	-	80,264
Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis	93.788	G200744	-	40,192
Total Substance Abuse and Mental Health Services - State Targeted Response to the Opioid Crisis			-	468,937
<b>Total U.S. Department of Health and Human Services</b>			34,368	2,092,252
<b>Total Federal Financial Assistance</b>			\$ 34,368	\$ 2,707,994

**YOUTH SERVICES SYSTEM, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, 2020. 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, 2020**

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	G200320	7/1/19 - 6/30/20	\$ 611,118	\$ 611,118	\$ 503,715	\$ 107,403
Expanded School Based Mental Health	G200474	7/1/19 - 6/30/20	150,000	150,000	150,000	-
Jobs Skills Development	G200105	7/1/19 - 6/30/20	10,800	10,080	10,080	-
Recovery Facility MAT (Jim's Dream)	G200912	3/1/20 - 6/30/21	170,000	125,000	-	170,000
<b>West Virginia Department of Education:</b>						
West Virginia State Child Nutrition Matching Grant	GRTAWD04022900004901	3/10/20 - 6/30/21	1,500	1,500	1,500	-
<b>West Virginia Division of Juvenile Services:</b>						
Ronald C. Mulholland Juvenile Detention Facility Program	N/A	7/1/19 - 6/30/20	2,815,906	2,815,906	2,815,906	-



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

December 24, 2020

Youth Services System, Inc.  
87 15<sup>th</sup> 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, 2020, 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 December 24, 2020, 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  
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***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



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

December 24, 2020

Youth Services System, Inc.  
87 15<sup>th</sup> 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 each of the Corporation's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Corporation's major federal programs.

**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 each of the Corporation's major federal programs 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 each of the Corporation's major programs. However, our audit does not provide a legal determination of the Corporation's compliance.

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***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 each of its major federal programs for the year ended June 30, 2020.

***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, 2020**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Program's Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	WIA Cluster: Workforce Investment Act – Youth Activities CFDA #17.259 Block Grant for Prevention and Treatment of Substance Abuse CFDA #93.959
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None