



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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2019



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

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

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# Ketel Thorstenson, LLP

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **YOUTH & FAMILY SERVICES, INC.** (YFS), **YOUTH & FAMILY SERVICES FOUNDATION** (the Foundation), and **YOUTH & FAMILY SERVICES QALICB, INC.** (the QALICB), collectively, the Organization, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and functional expenses, for the year ended June 30, 2019, and the consolidated statements of cash flows for the years ended June 30 2019 and 2018, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YFS, the Foundation, and the QALICB as of June 30, 2019 and 2018, and the changes in its net assets for the year ended June 30, 2019 and its cash flows for the years ended June 30, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position, Consolidating Statement of Activities and Changes in Net Assets, and Consolidating Statement of Cash Flows on pages 19 through 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



KETEL THORSTENSON, LLP  
Certified Public Accountants

November 18, 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)**

<b>ASSETS</b>	Without Donor Restriction	With Donor Restriction	<b>2019 Total</b>	2018
<b>Current Assets</b>				
Cash and Cash Equivalents (Note 1)	\$ 261,498	\$ 252,541	\$ 514,039	\$ 2,372,301
Restricted Cash (Note 1)	5,366,287	-	5,366,287	-
Inventory	12,769	-	12,769	11,915
Prepaid Expenses	10,474	-	10,474	13,671
Government Grant Funds Receivable	1,021,411	-	1,021,411	854,735
Accounts Receivable -- Fees and Other (Net of Allowance of \$17,919 for 2019 & \$21,188 for 2018)	107,452	-	107,452	120,319
Promises to Give -- United Way	-	83,067	83,067	88,600
Promises to Give -- Portion Due Within One Year (Note 2)	-	222,189	222,189	359,079
<b>Total Current Assets</b>	<b>6,779,891</b>	<b>557,797</b>	<b>7,337,688</b>	<b>3,820,620</b>
<b>Property and Equipment</b> (Notes 5 & 6)	<b>18,643,051</b>	<b>-</b>	<b>18,643,051</b>	<b>12,375,118</b>
Less Accumulated Depreciation	5,016,107	-	5,016,107	4,685,686
<b>Total Property and Equipment, Net</b>	<b>13,626,944</b>	<b>-</b>	<b>13,626,944</b>	<b>7,689,432</b>
<b>Other Assets</b>				
Promises to Give -- Portion Due After One Year (Note 2)	-	660,588	660,588	607,646
Investments (Note 8)	1,756,973	1,724,223	3,481,196	3,281,541
Note Receivable (Note 9)	8,646,417	-	8,646,417	-
<b>Total Other Assets</b>	<b>10,403,390</b>	<b>2,384,811</b>	<b>12,788,201</b>	<b>3,889,187</b>
<b>TOTAL ASSETS</b>	<b>\$ 30,810,225</b>	<b>\$ 2,942,608</b>	<b>\$ 33,752,833</b>	<b>\$ 15,399,239</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 1,666,302	\$ -	1,666,302	\$ 311,984
Accrued Personnel Expenses	830,564	-	830,564	878,820
Accrued Interest Payable (Note 9)	15,568	-	15,568	-
Deferred Revenue	22,196	-	22,196	6,516
Note Payable, Net - Current Portion (Note 9)	152,086	-	152,086	-
<b>Total Current Liabilities</b>	<b>2,686,716</b>	<b>-</b>	<b>2,686,716</b>	<b>1,197,320</b>
<b>Long-Term Liabilities</b>				
Note Payable, Net Less Current Portion (Note 9)	\$ 14,428,758	\$ -	14,428,758	\$ -
<b>Total Long-Term Liabilities</b>	<b>14,428,758</b>	<b>-</b>	<b>14,428,758</b>	<b>-</b>
<b>Commitments</b> (Note 3, 4, & 7)				
<b>Net Assets</b> (Note 5 & 9)				
Without Donor Restriction:				
Property and Equipment	\$ 13,626,944	\$ -	\$ 13,626,944	\$ 7,689,432
General	(1,270,935)	-	(1,270,935)	771,343
	12,356,009	-	12,356,009	8,460,775
Board Designated	1,328,742	-	1,328,742	899,062
<b>Total Without Donor Restriction</b>	<b>13,684,751</b>	<b>-</b>	<b>13,684,751</b>	<b>9,359,837</b>
Donor Restricted - Time or Purpose	-	1,736,585	1,736,585	3,672,459
Donor Restricted - In Perpetuity	-	1,216,023	1,216,023	1,169,623
<b>Total With Donor Restriction</b>	<b>-</b>	<b>2,952,608</b>	<b>2,952,608</b>	<b>4,842,082</b>
<b>Total Net Assets</b>	<b>13,684,751</b>	<b>2,952,608</b>	<b>16,637,359</b>	<b>14,201,919</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,800,225</b>	<b>\$ 2,952,608</b>	<b>\$ 33,752,833</b>	<b>\$ 15,399,239</b>

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Without Donor Restriction	With Donor Restriction	2019 Total	Memorandum Only (Note 1) 2018 Total
<b>Support and Revenues</b>				
Contributions	\$ 352,258	\$ 835,634	\$ 1,187,892	\$ 1,496,132
Memorials	-	10,000	10,000	57,002
Kid's Fair	116,044	-	116,044	105,792
Dinner Theatre	54,346	-	54,346	50,874
Vision Funds	1,300,000	-	1,300,000	-
United Way	-	167,311	167,311	177,200
<i>Foundation and Corporate Grants:</i>				
Larson Foundation	-	42,000	42,000	38,000
Vucurevich Foundation	-	-	-	100,000
Wellmark Foundation	-	-	-	25,000
Gwendolyn Stearns Foundation	10,000	-	10,000	10,000
Black Hills Area Community Foundation	-	11,620	11,620	-
South Dakota Community Foundation	-	10,000	10,000	-
Rasmussen Trust	-	32,500	32,500	34,000
Sheldon Reese	6,000	-	6,000	4,000
June Clark Trust	8,014	-	8,014	8,852
Washburn Trust	13,304	-	13,304	11,489
Distribution from Black Hills Community Foundation	9,901	-	9,901	8,693
Other	-	-	-	8,150
<i>Investment Return:</i>				
Royalties	3,195	-	3,195	2,644
Brokerage Fees	(17,480)	(4,644)	(22,124)	(33,958)
Capital Gains	11,328	4,064	15,392	-
Net Realized/Unrealized Gain on Investments	81,841	30,351	112,192	143,733
Interest and Dividends	135,691	17,592	153,283	69,904
Government Grants	10,418,805	-	10,418,805	10,155,499
Membership Dues	10,802	-	10,802	26,140
Program Service Fees	1,367,787	19,781	1,387,568	1,303,221
Donated Rental Facilities (Note 4)	216,542	-	216,542	222,255
Rental Income	7,385	-	7,385	-
Miscellaneous	16,438	-	16,438	2,311
Gain on Sale of Land Held for Investment	163,229	-	163,229	21,677
Net Assets Released from Restrictions (Note 5)	3,065,683	(3,065,683)	-	-
<b>Total Support and Revenues</b>	<b>17,351,113</b>	<b>(1,889,474)</b>	<b>15,461,639</b>	<b>14,048,610</b>
<b>Expenses</b>				
<i>Program Services:</i>				
Counseling Center	166,408	-	166,408	181,779
Prevention Resource Center	173,405	-	173,405	217,923
Other	10,826,701	-	10,826,701	10,969,869
<b>Total Program Services</b>	<b>11,166,514</b>	<b>-</b>	<b>11,166,514</b>	<b>11,369,571</b>
<i>Supporting Services:</i>				
Administrative	1,539,425	-	1,539,425	1,232,379
Fundraising	320,260	-	320,260	394,051
<b>Total Supporting Services</b>	<b>1,859,685</b>	<b>-</b>	<b>1,859,685</b>	<b>1,626,430</b>
<b>Total Expenses</b>	<b>13,026,199</b>	<b>-</b>	<b>13,026,199</b>	<b>12,996,001</b>
<b>Increase (Decrease) in Net Assets</b>	<b>4,324,914</b>	<b>(1,889,474)</b>	<b>2,435,440</b>	<b>1,052,609</b>
<b>Net Assets -- Beginning of Year</b>	<b>9,359,837</b>	<b>4,842,082</b>	<b>14,201,919</b>	<b>13,149,310</b>
<b>Net Assets -- End of Year</b>	<b>\$ 13,684,751</b>	<b>\$ 2,952,608</b>	<b>\$ 16,637,359</b>	<b>\$ 14,201,919</b>

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR  
THE YEAR ENDED JUNE 30, 2018)**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<b>2019 <u>Total</u></b>	Memorandum Only (Note 1) 2018 <u>Total</u>
Salaries	\$ 6,294,401	\$ 918,134	\$ 236,169	\$ <b>7,448,704</b>	\$ 7,455,997
Fringe Benefits (Note 3)	753,006	109,837	28,253	<b>891,096</b>	939,395
Supplies	667,882	1,507	21,562	<b>690,951</b>	780,685
Family Child Care Payments	687,806	-	-	<b>687,806</b>	737,444
Payroll Taxes	462,899	67,521	17,368	<b>547,788</b>	545,008
Professional and Contracted Services	326,551	103,540	3,647	<b>433,738</b>	511,175
Depreciation	357,733	7,610	137	<b>365,480</b>	356,743
Rent (Note 4)	324,897	-	-	<b>324,897</b>	320,983
Food	262,011	-	-	<b>262,011</b>	255,951
Interest	-	252,553	-	<b>252,553</b>	-
Travel and Conferences	232,678	10,642	207	<b>243,527</b>	212,167
Utilities	188,104	3,960	569	<b>192,633</b>	249,220
Insurance	139,512	12,240	-	<b>151,752</b>	139,461
Repairs and Maintenance	122,037	1,166	201	<b>123,404</b>	126,326
Promotion	89,468	19,921	15	<b>109,404</b>	60,178
Transportation	73,994	2,986	170	<b>77,150</b>	78,814
Telephone	63,982	828	219	<b>65,029</b>	66,144
Grant Specific Activities	42,452	-	-	<b>42,452</b>	81,897
Office Supplies and Postage	5,205	22,817	10	<b>28,032</b>	24,866
Dues and Subscriptions	24,122	1,926	305	<b>26,353</b>	24,852
Excursions	22,071	-	-	<b>22,071</b>	20,231
Bad Debt Provision (Recoveries)	9,345	-	11,306	<b>20,651</b>	(20,285)
Miscellaneous	10,534	160	-	<b>10,694</b>	9,958
Parent Activity	5,824	-	-	<b>5,824</b>	13,655
Property Tax	-	2,077	122	<b>2,199</b>	5,136
	<b>\$11,166,514</b>	<b>\$ 1,539,425</b>	<b>\$ 320,260</b>	<b>\$ 13,026,199</b>	<b>\$ 12,996,001</b>

The accompanying notes are an integral part of this statement.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 2,435,440	\$ 1,052,609
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Flows Provided by Operating Activities:</i>		
Depreciation	365,480	356,743
Bad Debt Expense (Recoveries)	20,651	(20,285)
Net Realized/Unrealized Gain on Investments	(112,192)	(143,733)
Amortization of Deferred Debt Issuance Costs, Net	21,099	-
Gain on Sale of Land Held for Investment	(163,229)	(21,677)
Distribution From Washburn Trust	10,408	10,173
Contributions and Distributions Restricted for Long-Term Purposes	(17,586)	(1,345)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Inventory	(854)	(1,245)
Prepaid Expenses	3,197	12,407
Government Grant Receivable	(166,676)	(230,547)
Accounts Receivable	3,522	(59,577)
Promises to Give	72,642	1,221,529
Promises to Give -- United Way	5,533	1,650
Accounts Payable	(58,689)	105,850
Accrued Personnel Expenses	(48,256)	9,814
Accrued Interest Payable	15,568	-
Deferred Revenue	15,680	(1,315)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>2,401,738</b>	<b>2,291,051</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(4,889,984)	(1,430,481)
Proceeds from Sale of Property and Equipment	-	21,677
Proceeds from Sale of Land Held for Investment	383,229	-
Purchases of Investments	(898,487)	(2,756,146)
Proceeds from Sale of Investments	580,615	3,109,627
<b>Net Cash Flows Used in Investing Activities</b>	<b>(4,824,627)</b>	<b>(1,055,323)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of Note Receivable	(8,646,417)	-
Proceeds from Note Payable	17,524,964	-
Payment on Note Payable	(2,348,661)	-
Payments for Debt Issuance Costs	(616,558)	-
Contributions Restricted for Long-Term Purposes	17,586	1,345
<b>Net Cash Flows Provided by Financing Activities</b>	<b>5,930,914</b>	<b>1,345</b>
<b>Net Change in Cash and Cash Equivalents and Restricted Cash</b>	<b>3,508,025</b>	<b>1,237,073</b>
<b>Cash and Cash Equivalents and Restricted Cash -- Beginning of Year</b>	<b>2,372,301</b>	<b>1,135,228</b>
<b>Cash and Cash Equivalents and Restricted Cash -- End of Year</b>	<b>\$ 5,880,326</b>	<b>\$ 2,372,301</b>
<b>Supplemental Disclosure of Noncash Investing Activities:</b>		
Purchases of Equipment Included In Accounts Payable	\$ 1,413,007	9,039
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Payments for Interest Net of Interest Capitalized 2019 - \$104,911	231,454	-

The accompanying notes are an integral part of this statement.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies**

**Operations**

Youth & Family Services, Inc. (YFS) operates various programs serving Black Hills area youth including: 1) Girls Incorporated® of Rapid City, providing educational, recreational, and health outreach programs for girls, ages 6-17; 2) YFS Counseling Center, providing assessment, prevention and mental health counseling services for area youth and their families, and trauma assessment and treatment through the Youth Trauma Center; 3) YFS Child Development Center, providing licensed, quality, affordable childcare for children, ages 4 weeks - 14 years; 4) YFS Nutrition Services, providing or overseeing provision of more than 711,000 nutritious meals and snacks annually to children within agency programs, the Summer Food Program, and enrolled in Family Child Care homes in 21 counties through the Family Child Care Nutrition program; 5) YFS Rapid City Prenatal to Five Head Start, a comprehensive, federally-funded early childhood education and preschool program that enhances the physical, social, emotional, and intellectual development of low-income children, ages 0-5, and their families through classroom activities and home visits; 6) YFS Home-Based Prenatal to Five Head Start, a parent-focused early childhood education and preschool program offering home visits and at-home activities for low-income families with children, ages 0-5, in seven counties in western South Dakota; 7) YFS Western Prevention Resource Center, providing resources, research, training, and technical assistance to schools, prevention coalitions and other organizations in 24 counties for meth and other drugs, alcohol abuse and violence prevention; 8) the YFS Fatherhood First program, providing father-child activities, fatherhood education, and individual case management services that promote positive relationships between fathers and their children; and 9) Family Support and Advocacy programs providing case management and other services through the Intensive Family Services Program, relationship education for high school students and adults through the Stronger Family Program, and health advocacy services for boys, ages 4-17, through the Boys Health Program. YFS is dependent on governmental grants to meet many of its program needs. For the year ended June 30, 2019, the Head Start grants comprised \$7,097,490 of government grant revenues. The Family Child Care Nutrition program is funded entirely by the Child & Adult Care Food Program through the South Dakota Department of Education & Cultural Affairs. Sources of revenue for other YFS programs include individual contributions, United Way funding, fees and interest income from two trust funds and an endowment, fundraiser proceeds, corporate and foundation grants, as well as city, state, and federal grants.

Youth & Family Services Foundation (the Foundation) was created to help provide long-term financial security and stability for YFS. The Foundation's sole purpose is to provide funding for the programs and services of YFS and ensure YFS services provided to children and families continue uninterrupted.

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

**Principles of Consolidation**

The consolidated financial statements include the accounts of Youth & Family Services, Inc., Youth & Family Services Foundation, and Youth & Family Services QALICB, Inc, collectively the Organization. The Foundation is consolidated into the financial statements of the Organization as the Organization has control and an economic interest in the Foundation. All material inter-organization transactions have been eliminated. In fiscal year 2017, the Foundation established a single member limited liability company named Bright Futures, LLC. This entity operates under the same employer identification number as the Foundation, and the activity of Bright Futures has been included in the total for the Foundation.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

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

**Basis of Accounting and Financial Statement Presentation**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. During 2019, the Organization adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and functional allocation of expenses. Implementation did not affect net asset balances. Accordingly, the financial position and activities of the Organization are reported in the following net asset categories:

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

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

**Cash and Cash Equivalents**

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

The Restricted Cash listed on the Consolidated Statement of Financial Position is the cash held in the QALICB. The accounts are subject to the control and direction of the Lenders. The accounts are held as security interest under the loan agreement. (Note 9)

**Inventory**

Inventory, primarily consisting of food and postage, is stated at the lower of cost or net realizable value, using the first-in, first-out method of valuation.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Property and equipment purchases of \$5,000 or more are capitalized at cost. Donated property and equipment is stated at fair market value at the date of the donation. Grantors (primarily Head Start) retain a reversionary interest in property and equipment purchased with their funds (see Note 6). Depreciation is computed over the estimated service lives of the respective assets on a straight-line basis. The estimated service lives of the property and equipment are as follows:

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

**Investments**

The Organization accounts for investments at fair market value. Realized and unrealized gains and losses, determined on the basis of the amortized cost of specific investments, are recognized in the Statement of Activities and Changes in Net Assets. Management's policy is to credit (charge) all gains and losses against the class of net assets according to where the investment is being held. According to donor stipulation, investment income earned on restricted investments is recorded as with or without donor restriction.

**Deferred Debt Issuance Costs**

Costs incurred related to debt issuance have been capitalized and are being amortized over the terms of the related debt using the interest method. Such activity is presented as an offset to the liability in the Consolidated Statements of Financial Position.

**Note Receivable**

The note receivable is stated at the unpaid principal balance. Interest on the note receivable is recognized over the term of the note and is calculated using the simple-interest method on principal balances outstanding. Payments not received in accordance with the terms of the individual note agreement is considered past due. Notes receivable will be charged off as uncollectible when management feels they have exhausted all collection efforts.

The allowance for note receivable losses is evaluated by management based upon collection history and current economic conditions. No allowance was deemed necessary at June 30, 2019.

The note receivable from Youth & Family Services Investment Fund, LLC is evaluated annually for impairment. At June 30, 2019, the note is not past due and management has determined no impairment exists. There was no activity in the allowance of notes receivable losses in the year ended June 30, 2019.

**Revenue Recognition**

The Organization recognizes revenue from grants and contracts under various methods. For the Head Start grant, revenue is recognized as expenses are incurred in accordance with the terms of the agreements. For counseling and prevention education contracts and the Child and Adult Nutrition Services grant, revenue is recognized on a service unit basis as services are rendered. For the remaining grants and contracts, revenue is recognized under various methods (primarily as expenses are incurred) over their respective terms. YFS was awarded a \$1,950,000 contract to receive Vision Funds over a three year period (2019, 2020, and 2021) to construct the East Adams Street Facility Expansion. As of June 30, 2019, YFS has received \$1,300,000. Program services fees are recognized for Girls Inc. on a monthly basis and the YFS Child Development Center on a weekly basis as services are rendered.

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Contributions, Memorials and Promises to Give**

Unconditional contributions, memorials and promises to give are recorded in the period pledged as with or without donor restriction. Conditional promises are not recorded in the financial statements until such time as the donor's intent is irrevocable. Amounts due after one year are recorded at the present value. Management has estimated an allowance for doubtful accounts based on their knowledge of current environmental conditions and historical losses.

**Expense Allocation**

The costs of providing program and other support activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. The Statements of Functional Expenses present the natural classification detail of expenses by function. Most expenses can be directly allocated to program or supporting functions. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Specifically, salaries and other employee driven expenses are allocated based on actual time spent on each function. Building related expenses are allocated based on square footage.

**Federal Income Tax**

YFS and the Foundation (including Bright Futures, LLC) qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not subject to federal income tax. Subsequent to June 30, 2019 the QALICB has received notice of exemption under Section 501(c)(3) of the Internal Revenue Code. In addition, YFS, the Foundation, and the QALICB have each been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. No federal income tax is paid unless net income is derived from activities that are unrelated to exempt activities. No such activities have been conducted.

At June 30, 2019, YFS, the Foundation, and the QALICB believe no significant uncertain tax positions or liabilities exist.

**Accounts Receivable**

Accounts receivable are recorded monthly at the time the revenue is billed. Client receivables not paid within two weeks of the invoice date are considered past due. As of June 30, 2019, receivables totaling \$ 15,952 are over ninety days delinquent. Management has estimated an allowance for doubtful accounts based on their knowledge of current environmental conditions and historical losses. Receivables will be charged off as uncollectible when management feels they have exhausted all reasonable collection efforts or after two years.

**Subsequent Events**

Management has assessed YFS, the Foundation, and the QALICB for significant subsequent events through November 18, 2019, the date which the financial statements were available to be issued.

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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**(1) Summary of Significant Accounting Policies (Continued)**

**Emerging Accounting Standard**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization will be evaluating the impact implementation will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which addresses diversity in practice regarding the treatment of restricted cash in the cash flow statement by requiring that all restricted cash amounts be included in total cash equivalents. In addition, the standard requires disclosure of the line items in the balance sheet that comprise cash and cash equivalents in the statement of cash flows, as well as a description of the nature of any cash restrictions. The standard is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact this standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC *Topic 840, Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which will assist entities in determining whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. This determination is based on whether or not the resource provider is receiving commensurate value in return for resources transferred, and clarifies that executing the mission or providing societal benefit does not equate to commensurate value. The standard will also assist entities in determining whether a contribution is conditional on the basis of whether a barrier must be overcome and either a right of return of assets transferred or a right of release of the promisor from its obligation to transfer assets exists. The standard is effective for contributions received in annual periods beginning after December 15, 2018 and for contributions made in annual periods beginning after December 15, 2019. The Organization will be evaluating the impact this standard will have on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for years beginning after December 15, 2019. The Company will be evaluating the impact this standard will have on the financial statements.

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Concluded)**

**Comparative Financial Statement**

The June 30, 2018, financial statements are captioned “Memorandum Only.” Such information is presented only to facilitate financial analysis. This data does not present the financial statements in conformity with accounting principles generally accepted in the United States of America. The individual net asset classification are not presented because of space limitations and to avoid cumbersome and confusing formats.

**Beneficial Interest in Trust**

The Foundation has unconditional rights to 20 percent of the distribution from the Washburn Trust. The Foundations is one of six beneficiaries of this trust. The Beneficial Interest in the Washburn Trust is recorded at fair market value and is included in Investments in the Statements of Financial Position.

**Reclassification**

Certain reclassifications were made to the 2018 Statement of Functional Expenses to conform to the 2019 presentation. There was no effect on changes in net assets nor net asset balances and classifications.

**(2) Capital Campaign and Promises to Give**

In the spring of 2009, the Foundation began the quiet phase of a combined Endowment/Land Campaign. The Campaign pledges to date consist primarily of pledges from employees, board members, and several major donors that have a history of supporting the Organization.

Unconditional promises to give that are outstanding are as follows as of June 30, 2019:

Receivable in less than one year	\$ 222,189
Receivable in one to five years	672,456
Receivable over five years	53,740
<hr/> Total unconditional promises to give	<hr/> 948,385
Less allowance for uncollectible promises to give	29,330
<hr/> Total unconditional promises to give net of allowance	<hr/> 919,055
Less discounts to net present value (*)	36,278
<hr/> Net Unconditional Promises to Give	<hr/> 882,777
<hr/> <b>Total Promises to Give</b>	<hr/> <b>\$ 882,777</b>

(\*) Based on 1.41% for pledges in 2010-2011, 1.03% for pledges in 2011-2012, 1.1% for pledges in 2012-2013, 1.55% for pledges in 2013-2014, 1.57% for pledges in 2014-2015, 1.31% for pledges in 2015-2016, 2.08% for pledges in 2016-2017, 2.68% for pledges in 2017-2018, 1.76% for pledges in 2018-2019.

**(3) Employee Benefits**

YFS has a defined contribution profit-sharing and 401(k) plan that covers all employees at least 18 years of age and having at least one year of service. Profit-sharing contributions to this plan are at the discretion of the Board of Directors. Employer matching contributions of 50 percent of the first 3 percent of the base compensation that a participant contributes to the plan are required under the terms of the plan document. The expense recognized related to the plan for the year ended June 30, 2019 is \$237,428.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(4) Leases**

YFS leases several building on a month-to-month basis at a cost below prevailing market rates. YFS recorded the difference between the aggregate annual market value of the leases and the amount paid by YFS of \$216,542 as Donated Facilities Revenue and Rent Expense in the Statement of Activities and Changes in Net Assets. Future obligations of minimum rental payments of operating leases are as follows:

2020	\$	22,533
2021		14,289
2022		11,092
	<b>\$</b>	<b>47,914</b>

**(5) Net Assets**

Net assets with donor restriction at June 30, 2019, include the following:

	With Donor Restriction - Time or Purpose	With Donor Restriction - In Perpetuity	Released FY Ended June 30, 2019
<i>Restricted Net Assets:</i>			
East Adams Facilities and Operations Endowment	\$ -	\$ 50,000	\$ -
United Way - Program Restricted	83,067	-	172,844
Foundation Campaign Time Restriction (Foundation)	22,815	-	45,942
Investment in Washburn Trust (Foundation)	296,835	-	10,408
John Vucurevich Endowment (Foundation)	-	408,824	-
Foundation Campaign 10-Year Donor Restriction (Foundation)	2,421	-	155
Foundation Campaign Land/Building Improvements (Foundation)	861,724	-	4,538
Foundation Campaign Child Development Center (Foundation)	590	-	-
Donor Restriction To Be Determined	81,200	-	-
Girls Inc. Program Restricted (Foundation)	-	-	10,594
Foundation - No Program Restriction Endowment (Foundation)	-	17,922	-
Foundation Black Hills Area Community Foundation (BHACF) Endowment	-	10,000	-
Foundation Campaign Endowment Fatherhood (Foundation)	-	65,535	-
Fatherhood Project Reserves/Endowment (Foundation)	62,747	25,000	-
Foundation Campaign Reserves/Endowment Girls Inc. (Foundation)	-	1,025	-
Boys Health Program Restricted (Foundation)	-	-	25
Lemley Funds Endowment Girls Inc. Program Restricted (Foundation)	8,616	491,618	13,293
Rasmussen Trust Distribution - Program Restricted	18,271	-	36,728
Lemley Trust Distribution - Program Restricted	29,031	-	-
Foundation Campaign - No Program Restriction Endowment (Foundation)	-	146,099	-
Foundation Campaign - Rural Program Restricted (Foundation)	1,000	-	-
Barb Butler Estate - Girls Inc. Program Restricted	64,789	-	81,441
Land/Building Improvements	97,655	-	2,658,778
Wellmark Foundation - Garden Funds	-	-	17,679
Larson Foundation - Girls Health Connections Program Restricted	36,002	-	5,998
BHACF - CC services	2,820	-	50
Altrusa Club - Care Closet	3,684	-	816
SD Community Foundation - Middle School Program Restricted	10,000	-	-
BHACF - Garden Funds	4,582	-	793
Greenhouse	334	-	1,666
BHACF - Summer Meals	2,007	-	3,935
Child and Adult Care Food Program	15,012	-	-
Youth Trauma	31,383	-	-
	<b>\$ 1,736,585</b>	<b>\$ 1,216,023</b>	<b>\$ 3,065,683</b>

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(5) Net Assets (Continued)**

Net Assets without donor restriction at June 30, 2019 include the following:

Property and Equipment	\$ 13,626,944
General	(1,270,935)
<i>Board Designated:</i>	
East Adams Facilities and Operations	641,870
East Adams Facilities Expansion - Foundation	378,313
Endowment	146,518
Endowment - Foundation	100,000
Kid's Fair	2,290
Emergency Child Care Funds	50,000
Child Development Center Transportation	3,933
Vehicle Repair	3,746
Family Violence Prevention	2,072
	<b>\$ 13,684,751</b>

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

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

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

	Without Donor Restriction	With Donor Restriction - Time or Purpose	With Donor Restriction - In Perpetuity	<b>Total</b>
Endowment Net Assets - June 30, 2018	\$ 243,201	\$ 83,199	\$ 1,169,623	\$ 1,496,023
Investment Income	6,263	16,288	29,201	51,752
Contributions	-	125	17,586	17,711
Appropriation for Expenditure	(399)	(28,248)	(387)	(29,034)
<b>Endowment Net Assets - June 30, 2019</b>	<b>\$ 249,065</b>	<b>\$ 71,364</b>	<b>\$ 1,216,023</b>	<b>\$ 1,536,452</b>

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(5) Net Assets (Concluded)**

The Organization has an investment policy which dictates investment principles, objectives, and guidelines. The Organization also has a distribution policy which provides the guidance for disbursement of funds. Both of these policies work together to attempt to provide a predictable growth for the Organization's endowment. Over a ten-year investment horizon, the Organization's objective is to meet or exceed a rate of return equal to the CPI (inflation rate) plus five percent (5%). Actual returns in any given year may vary from this amount.

**(6) Property and Equipment**

Property and equipment consist of the following at June 30, 2019:

Buildings	\$ 5,160,262
Buildings - Federal Reversionary Interest	1,063,941
Buildings - Foundation	120,526
Equipment and Vehicles -- Federal Reversionary Interest	2,003,282
Equipment and Furnishings	466,237
Equipment and Furnishings - QALICB	201,512
Vehicles	724,599
	<hr/> 9,740,359
<b>Less Accumulated Depreciation</b>	<b>5,016,107</b>
	<hr/> <b>4,724,252</b>
Buildings - East Adams New Complex Work in Progress	7,672,489
Land	744,468
Land - QALICB	412,066
Land - Foundation	73,669
	<hr/> 8,902,692
	<hr/> <b>\$ 13,626,944</b>

**(7) Other Obligations**

On February 7, 2018, the Organization signed a contract with RCS Construction to complete the expansion of the East Adams Street property. As of June 30, 2019, the balance to finish the work on the contract is \$3,325,159.

**(8) Fair Value**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level hierarchy for defining classification of input levels is defined as follows:

- Level One: observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded instruments with quoted market prices.
- Level Two: inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.
- Level Three: inputs are based on prices or valuation techniques that are unobservable. These types of assets and liabilities require significant management judgment or estimation.

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(8) Fair Value (Continued)**

The following table presents the assets carried at fair value as of June 30, 2019 on the accompanying Consolidated Statement of Financial Position by fair value hierarchy, as described above. All are measured on a recurring basis. The Organization carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis. Level Two investments include both equities and fixed income. Level Two equities include mutual funds. Level Two fixed income securities are comprised of structured notes and mutual funds. Mutual funds are valued at the net asset value at the close of trading on the last day of June. Structured notes are valued at either the yields currently available on comparable securities of issuers with similar credit ratings or valued under a discounted cash flow approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable such as credit and liquidity risks.

The fair value of the beneficial interest is estimated using the fair value of the assets held in the trust reported by the trustee. The Washburn Trust includes interests in an LLC and partnership with underlying assets of notes receivable and a building. The estimated fair value of the trust may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that could have been used had a ready market existed for these investments. The beneficial interest in the Washburn Trust are not redeemable by the Foundation.

The Amounts Held by Black Hills Area Community Foundation (BHACF) has been valued, as a practical expedient, at the net asset value of the Organization's share of BHACF's investment pools as of the measurement date. As such, they are not included in the fair value hierarchy described above. BHACF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BHACF, which include private placements and other securities for which prices are not readily available, are determined by the management of BHACF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The amounts held by BHACF are not redeemable by the Organization.

Balances included in investments on accompanying statement of financial position:

	Level One	Level Two	Level Three	Net Asset Value	Total
Money Market Funds	\$ 91,078	\$ -	\$ -	\$ -	\$ 91,078
Equities	1,255,416	483,198	-	-	1,738,615
Fixed Income	307,729	1,034,391	-	-	1,342,120
Beneficial Interest in Washburn Trust	-	-	296,835	-	296,835
Investment in BHACF	-	-	-	12,548	12,548
<b>Total Fair Value Investments</b>	<b>\$ 1,654,223</b>	<b>\$ 1,517,589</b>	<b>\$ 296,835</b>	<b>\$ 12,548</b>	<b>\$ 3,481,196</b>

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

Balance – June 30, 2018	\$ 307,243
Distributions	(10,408)
<b>Balance – June 30, 2019</b>	<b>\$ 296,835</b>

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

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

During the year ended June 30, 2019, the Organization entered into financing arrangements with investors using new market tax credits (NMTC) financing to construct a new facility. The NMTC investors invested approximately \$4,500,000 into Youth & Family Services Investment Fund, LLC, operated by Wells Fargo (Investment Fund) in exchange for NMTC. YFS provided funding to the Investment Fund in the amount of \$8,646,417 in the form of a note receivable. The Investment Fund invested the funds in three separate community development entities (CDEs). The CDEs loaned to the QALICB substantially all the proceeds of the investments made in them by the Investment Fund in the aggregate amount of \$13,000,000 (less sponsor fees totaling \$345,000). The NMTC have a seven year compliance period.

YFS entered into a note payable with BankWest for a bridge loan totaling \$4,869,964. YFS used the loan proceeds and contributions from donors designated for Facility Expansion to lend to the Investment Fund, as described above. The note receivable due from the Investment Fund requires quarterly interest payments at 1.14 percent through December 2025. Beginning in March 2026, quarterly principal and interest payments of \$131,360 will be made through maturity of March 31, 2044. YFS has also made contributions to the QALICB to help fund the new facility in the form of construction in progress and equipment.

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

The Organization has guaranteed the delivery of the tax credits to the investors. The Organization would be required to act under the guarantee if for any reason there was a disallowance of the new market tax credits. As part of this guarantee and the bank financing, the bank notes described above and disclosed below have a put option in the event of noncompliance with NMTC and at the end of the seven year compliance period. If the Investment Fund does not exercise the put option within 180 days of the end of the compliance period, the Organization can exercise a call option to purchase the Investment Fund's interest in the CDEs.

Long-Term debt consists of the following at June 30<sup>th</sup>:

	<b>2019</b>	<b>2018</b>
<i>YFS Long-Term Debt:</i>		
Note payable to bank (bridge loan), matures August 2025, interest payable quarterly at 6.25 percent. Annual principal payments of \$162,332 due June each year. Secured by property and pledges for project.	<b>\$ 2,521,303</b>	\$ -
<i>QALICB Long-Term Debt:</i>		
Note payable to Wells Fargo Sub CDE, LLC Note A (a)	<b>1,009,351</b>	-
Note payable to Wells Fargo Sub CDE, LLC Note B (a)	<b>490,649</b>	-
Note payable to PCG Sub CDE, LLC Note A (a)	<b>3,595,308</b>	-
Note payable to PCG Sub CDE, LLC Note B (a)	<b>1,739,692</b>	-
Note payable to NCIF Sub CDE, LLC Note A (a)	<b>4,041,758</b>	-
Note payable to NCIF Sub CDE, LLC Note B (a)	<b>1,778,242</b>	-
<i>Debt Issuance Costs:</i>		
Deferred Debt Issuance Costs, Net of Accumulated Amortization	<b>(595,459)</b>	-
	<b>14,580,844</b>	-
Less: Current Maturities	<b>135,259</b>	-
	<b>\$ 14,445,585</b>	\$ -

(a) Loans mature December 2051, quarterly interest-only payments through March 2026 at 1.00 percent. Beginning in March 2026, level quarterly principal payments are due through loan maturity. Secured by leasehold mortgage, assignment of rents, first-priority perfected security interest, and fixture financing statement.

**YOUTH & FAMILY SERVICES, INC.,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

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

Maturities on long-term debt, including amortization of debt issuance costs, as of June 30, are as follows:

2020	\$	135,259
2021		135,259
2022		135,259
2023		135,259
2024		135,259
Thereafter		13,904,549
	<b>\$</b>	<b>14,580,844</b>

**(10) Liquidity and Availability**

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

Cash	\$	261,496
Restricted Cash – Available for Accounts Payable		1,257,055
Government Grant Funds Receivable		1,021,411
Accounts Receivable		107,452
Investments		1,756,973
Promises to Give – Time Restriction		13,323
Total Financial Assets	\$	4,417,710
Less Board Designated Net Assets		1,328,742
<b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	<b>\$</b>	<b>3,088,968</b>

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

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

<b>ASSETS</b>	Youth & Family Services	YFS Foundation	YFS QALICB	Eliminations	<b>Total</b>
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 419,487	\$ 94,552	\$ -	\$ -	\$ 514,039
Restricted Cash	-	-	5,366,287	-	5,366,287
Inventory	12,769	-	-	-	12,769
Prepaid Expenses	9,874	600	-	-	10,474
Government Grant Funds Receivable	1,021,411	-	-	-	1,021,411
Accounts Receivable -- Fees and Other (Net of Allowance of \$17,919 for 2019)	156,587	10,000	-	(59,135)	107,452
Promises to Give -- United Way	83,067	-	-	-	83,067
Promises to Give -- Portion Due Within One Year	-	222,189	-	-	222,189
<b>Total Current Assets</b>	<b>1,703,195</b>	<b>327,341</b>	<b>5,366,287</b>	<b>(59,135)</b>	<b>7,337,688</b>
<b>Property and Equipment</b>	<b>10,162,788</b>	<b>194,196</b>	<b>8,286,067</b>	<b>-</b>	<b>18,643,051</b>
Less Accumulated Depreciation	4,995,491	10,244	10,372	-	5,016,107
<b>Total Property and Equipment, Net</b>	<b>5,167,297</b>	<b>183,952</b>	<b>8,275,695</b>	<b>-</b>	<b>13,626,944</b>
<b>Other Assets</b>					
Promises to Give -- Portion Due After One Year	-	660,588	-	-	660,588
Investments	943,526	2,537,670	-	-	3,481,196
Note Receivable	8,646,417	-	-	-	8,646,417
<b>Total Other Assets</b>	<b>9,589,943</b>	<b>3,198,258</b>	<b>-</b>	<b>-</b>	<b>12,788,201</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,460,435</b>	<b>\$ 3,709,551</b>	<b>\$ 13,641,982</b>	<b>\$ (59,135)</b>	<b>\$ 33,752,833</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 468,832	\$ -	\$ 1,256,605	\$ (59,135)	\$ 1,666,302
Accrued Personnel Expenses	830,564	-	-	-	830,564
Accrued Interest Payable	15,568	-	-	-	15,568
Deferred Revenue	22,196	-	-	-	22,196
Note Payable , Net - Current Portion	152,086	-	-	-	152,086
<b>Total Current Liabilities</b>	<b>1,489,246</b>	<b>-</b>	<b>1,256,605</b>	<b>(59,135)</b>	<b>2,686,716</b>
<b>Long-Term Liabilities</b>					
Note Payable , Net - Less Current Portion	2,315,122	-	12,113,636	-	14,428,758
<b>Total Long-Term Liabilities</b>	<b>2,315,122</b>	<b>-</b>	<b>12,113,636</b>	<b>-</b>	<b>14,428,758</b>
<b>Net Assets</b>					
Without Donor Restriction:					
Property and Equipment	5,167,297	183,952	8,275,695	-	13,626,944
General	6,189,704	543,315	(8,003,954)	-	(1,270,935)
	11,357,001	727,267	271,741	-	12,356,009
Board Designated	850,429	478,313	-	-	1,328,742
<b>Total Without Donor Restriction</b>	<b>12,207,430</b>	<b>1,205,580</b>	<b>271,741</b>	<b>-</b>	<b>13,684,751</b>
Donor Restricted - Time or Purpose	398,637	1,337,948	-	-	1,736,585
Donor Restricted - In Perpetuity	50,000	1,166,023	-	-	1,216,023
<b>Total With Donor Restriction</b>	<b>448,637</b>	<b>2,503,971</b>	<b>-</b>	<b>-</b>	<b>2,952,608</b>
<b>Total Net Assets</b>	<b>12,656,067</b>	<b>3,709,551</b>	<b>271,741</b>	<b>-</b>	<b>16,637,359</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,460,435</b>	<b>\$ 3,709,551</b>	<b>\$ 13,641,982</b>	<b>\$ (59,135)</b>	<b>\$ 33,752,833</b>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Youth and Family Services</u>	<u>YFS Foundation</u>	<u>YFS QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b>Support and Revenues</b>					
Contributions	\$ 357,143	\$ 830,749	\$ -	\$ -	\$ 1,187,892
Memorials	-	10,000	-	-	10,000
Kid's Fair	116,044	-	-	-	116,044
Dinner Theatre	54,346	-	-	-	54,346
Vision Funds	1,300,000	-	-	-	1,300,000
United Way	167,311	-	-	-	167,311
Dr. Lemley Trust Funds	24,000	-	-	(24,000)	-
<i>Foundation and Corporate Grants:</i>					
Larson Foundation	42,000	-	-	-	42,000
Gwendolyn Stearns Foundation	10,000	-	-	-	10,000
Black Hills Area Community Foundation	11,620	-	-	-	11,620
South Dakota Community Foundation	10,000	-	-	-	10,000
Rasmussen Trust	32,500	-	-	-	32,500
Sheldon Reese	6,000	-	-	-	6,000
June Clark Trust	8,014	-	-	-	8,014
Washburn Trust	-	13,304	-	-	13,304
Distribution from Black Hills Community Foundation	-	9,901	-	-	9,901
<i>Investment Return:</i>					
Royalties	3,195	-	-	-	3,195
Brokerage Fees	(7,214)	(14,910)	-	-	(22,124)
Capital Gains	4,969	10,423	-	-	15,392
Net Realized/Unrealized Gain on Investments	35,354	76,838	-	-	112,192
Interest and Dividends	106,639	43,751	2,893	-	153,283
Donation Income	813,793	-	591,120	(1,404,913)	-
Government Grants	10,418,805	-	-	-	10,418,805
Membership Dues	10,802	-	-	-	10,802
Program Service Fees	1,387,568	-	-	-	1,387,568
Donated Rental Facilities	216,542	-	-	-	216,542
Rental Income	-	7,385	-	-	7,385
Miscellaneous	16,438	3,083	-	(3,083)	16,438
Gain on Sale of Land Held for Investment	-	163,229	-	-	163,229
Contract Service Fees	336,039	-	-	(336,039)	-
<b>Total Support and Revenues</b>	<b>15,481,908</b>	<b>1,153,753</b>	<b>594,013</b>	<b>(1,768,035)</b>	<b>15,461,639</b>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Youth and Family Services</u>	<u>YFS Foundation</u>	<u>YFS QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b>Expenses</b>					
Salaries	\$ 7,448,704	\$ -	\$ -	\$ -	\$ 7,448,704
Fringe Benefits	891,096	-	-	-	891,096
Supplies	690,726	180	45	-	690,951
Family Child Care Payments	687,806	-	-	-	687,806
Payroll Taxes	547,788	-	-	-	547,788
Professional and Contracted Services	380,947	90,370	298,460	(336,039)	433,738
Depreciation	354,843	4,383	6,254	-	365,480
Rent	327,980	-	-	(3,083)	324,897
Food	262,011	-	-	-	262,011
Interest	238,837	-	13,716	-	252,553
Travel and Conferences	243,366	-	161	-	243,527
Utilities	190,677	1,856	100	-	192,633
Insurance	147,540	3,117	1,095	-	151,752
Repairs and Maintenance	115,517	7,887	-	-	123,404
Promotion	108,635	16	753	-	109,404
Transportation	77,150	-	-	-	77,150
Telephone	65,029	-	-	-	65,029
Grant Specific Activities	42,452	-	-	-	42,452
Office Supplies & Postage	26,276	195	1,561	-	28,032
Dues and Subscriptions	26,353	-	-	-	26,353
Excursions	22,071	-	-	-	22,071
Bad Debt Provision	9,345	11,306	-	-	20,651
Miscellaneous	10,567	-	127	-	10,694
Parent Activity	5,824	-	-	-	5,824
Property Tax	-	2,199	-	-	2,199
Donation Expense	591,120	837,793	-	(1,428,913)	-
<b>Total Expenses</b>	<b>13,512,660</b>	<b>959,302</b>	<b>322,272</b>	<b>(1,768,035)</b>	<b>13,026,199</b>
<b>Increase in Net Assets</b>	<b>1,969,248</b>	<b>194,451</b>	<b>271,741</b>	<b>-</b>	<b>2,435,440</b>
<b>Net Assets -- Beginning of Year</b>	<b>10,686,819</b>	<b>3,515,100</b>	<b>-</b>	<b>-</b>	<b>14,201,919</b>
<b>Net Assets -- End of Year</b>	<b>\$ 12,656,067</b>	<b>\$ 3,709,551</b>	<b>\$ 271,741</b>	<b>\$ -</b>	<b>\$ 16,637,359</b>

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

**CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Youth and <u>Family Services</u>	YFS <u>Foundation</u>	YFS <u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>					
Increase in Net Assets	\$ 1,969,248	\$ 194,451	\$ 271,741	\$ -	\$ 2,435,440
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Flows Provided by Operating Activities</i>					
Depreciation	354,843	4,383	6,254	-	365,480
Bad Debt Expense	9,345	11,306	-	-	20,651
Net Realized/Unrealized Gain on Investments	(35,354)	(76,838)	-	-	(112,192)
Amortization of Deferred Debt Issuance Costs, Net	7,383	-	13,716	-	21,099
Gain on Land Held for Investment	-	(163,229)	-	-	(163,229)
Noncash Memorial - Investment in Washburn Trust	-	10,408	-	-	10,408
Contributions and Distributions Restricted for Long-Term Purposes	-	(17,586)	-	-	(17,586)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>					
Inventory	(854)	-	-	-	(854)
Prepaid Expenses	3,797	(600)	-	-	3,197
Government Grant Receivable	(166,676)	-	-	-	(166,676)
Accounts Receivable	(4,576)	(10,000)	-	18,098	3,522
Promises to Give	-	72,642	-	-	72,642
Promises to Give - United Way	5,533	-	-	-	5,533
Accounts Payable	(53,603)	(5,086)	18,098	(18,098)	(58,689)
Accrued Personnel Expenses	(48,256)	-	-	-	(48,256)
Accrued Interest Payable	15,568	-	-	-	15,568
Deferred Revenue	15,680	-	-	-	15,680
<b>Net Cash Flows Provided by Operating Activities</b>	<b>2,072,078</b>	<b>19,851</b>	<b>309,809</b>	<b>-</b>	<b>2,401,738</b>
<b>Cash Flows from Investing Activities</b>					
Purchases of Property and Equipment	(374,238)	-	(7,043,442)	2,527,696	(4,889,984)
Proceeds from Sale of Property and Equipment	2,527,696	-	-	(2,527,696)	-
Proceeds From on Land Held for Investment	-	383,229	-	-	383,229
Purchases of Investments	(118,109)	(780,378)	-	-	(898,487)
Proceeds from Sale of Investments	153,414	427,201	-	-	580,615
<b>Net Cash Flows Provided By (Used in) Investing Activities</b>	<b>2,188,763</b>	<b>30,052</b>	<b>(7,043,442)</b>	<b>-</b>	<b>(4,824,627)</b>
<b>Cash Flows from Financing Activities</b>					
Issuance on Notes Receivable	(8,646,417)	-	-	-	(8,646,417)
Proceeds from Note Payable	4,869,964	-	12,655,000	-	17,524,964
Payment on Note Payable	(2,348,661)	-	-	-	(2,348,661)
Payments for Debt Issuance Costs	(61,478)	-	(555,080)	-	(616,558)
Contributions Restricted for Long-Term Purposes	-	17,586	-	-	17,586
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<b>(6,186,592)</b>	<b>17,586</b>	<b>12,099,920</b>	<b>-</b>	<b>5,930,914</b>
<b>Net Change in Cash and Cash Equivalents and Restricted Cash</b>	<b>(1,925,751)</b>	<b>67,489</b>	<b>5,366,287</b>	<b>-</b>	<b>3,508,025</b>
<b>Cash and Cash Equivalents and Restricted Cash – Beginning of Year</b>	<b>2,345,238</b>	<b>27,063</b>	<b>-</b>	<b>-</b>	<b>2,372,301</b>
<b>Cash and Cash Equivalents and Restricted Cash – End of Year</b>	<b>\$ 419,487</b>	<b>\$ 94,552</b>	<b>\$ 5,366,287</b>	<b>\$ -</b>	<b>\$ 5,880,326</b>
<b>Supplemental Disclosure of Noncash Investing Activities:</b>					
Purchases of Equipment Included In Accounts Payable	\$ 174,500	\$ -	\$ 1,238,507	\$ -	1,413,007
<b>Supplemental Disclosure of Cash Flow Information</b>					
Cash Payments for Interest Net of Interest Capitalized 2019 - \$104,911	231,454	-	-	-	231,454