

YOUTH HEALTH SERVICE, INC.  
INDEPENDENT AUDITOR'S REPORT AND  
RELATED FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

DHHR - Finance

OCT 29 2018

Date Received



October 22, 2018

To Whom It May Concern:

Please find the enclosed Independent Auditors Report for Fiscal Year 2018, for Youth Health Service, Inc. Identification number 550665150. If you have any questions, please contact me at 304-636-9450, ext. 238 or by email [amandaarbogast@youth-health.org](mailto:amandaarbogast@youth-health.org).

Sincerely

  
Amanda Arbogast

Director of Business Operations  
Youth Health Service, Inc.  
971 Harrison Ave  
Elkins WV 26241

Encl: FY 2018 Auditors Report

DHHR - Finance

OCT 29 2018

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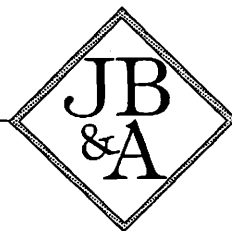
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# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
and Senior Management  
Youth Health Service, Inc.  
Elkins, West Virginia

We have audited the accompanying financial statements of Youth Health Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, 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 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 financial statements are free from 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 entity'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 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 financial statements.

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

### **Opinion**

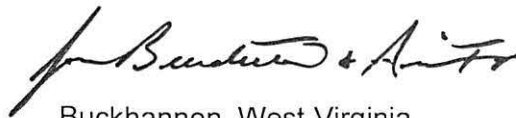
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Health Service, Inc. as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 10, 2018, on our consideration of Youth Health Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Youth Health Service, Inc.'s internal control over financial reporting and compliance.



Buckhannon, West Virginia  
October 10, 2018

DHHR - Finance

OCT 29 2018

Date Received

**YOUTH HEALTH SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30,**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash	\$ 618,085	\$ 460,044
Accounts receivable, net	<u>122,652</u>	<u>162,977</u>
Total Current Assets	<u>740,737</u>	<u>623,021</u>
<b>Property and Equipment, net</b>	<u>355,363</u>	<u>371,978</u>
<b>Other Assets</b>		
Cash - designated	6,566	6,066
Investments - designated	<u>90,555</u>	<u>78,604</u>
Total Other Assets	<u>97,121</u>	<u>84,670</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,193,221</u></u>	<u><u>\$ 1,079,669</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 27,408	\$ 21,796
Accounts payable and accrued expenses	38,656	16,346
Accrued payroll taxes	4,639	2,924
Accrued wages	49,402	48,191
Deferred revenue	<u>26,233</u>	<u>          </u>
Total Current Liabilities	<u>146,338</u>	<u>89,257</u>
<b>Long-Term Debt</b>	<u>336,335</u>	<u>468,399</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	613,427	437,343
Designated by board	<u>97,121</u>	<u>84,670</u>
Total Net Assets	<u>710,548</u>	<u>522,013</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,193,221</u></u>	<u><u>\$ 1,079,669</u></u>

The accompanying notes are an integral part of this statement.

**YOUTH HEALTH SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30,**

	<u>2018</u> <u>Unrestricted</u>	<u>2017</u> <u>Unrestricted</u>
<b>REVENUE AND SUPPORT</b>		
Federal financial assistance	\$ 42,723	\$ 22,100
State grants	344,806	341,521
Other grants	500	13,104
Donations and gifts	16,623	11,314
Contractual services	1,851,830	1,795,909
Investment income	5,637	5,085
Unrealized gain (loss) on investment	6,413	982
Loss on sale of asset	(2,324)	
Miscellaneous	1,235	2,250
	<u>2,267,443</u>	<u>2,192,265</u>
<b>EXPENSES</b>		
Program Services		
Daycare program	367,527	358,281
Behavior health services	1,702,762	1,601,263
Supporting Services		
Management and general	8,619	8,363
	<u>2,078,908</u>	<u>1,967,907</u>
<b>Change in Net Assets</b>	188,535	224,358
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>522,013</u>	<u>297,655</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 710,548</u></u>	<u><u>\$ 522,013</u></u>

The accompanying notes are an integral part of this statement.

**YOUTH HEALTH SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30,**

	<u>Daycare Program</u>	<u>Behavior Health Services</u>	<u>General &amp; Administrative</u>	<u>2018 Total</u>	<u>2017 Total</u>
Personnel expenses	\$ 269,357	\$ 1,335,861	\$ 145	\$ 1,605,363	\$ 1,524,794
Contract services	5,238	85,417		90,655	88,931
Utilities	13,798	40,177		53,975	48,181
Continuing education/training	2	3,694	84	3,780	2,989
Travel	585	19,177		19,762	19,984
Supplies/materials	15,175	23,566	2,035	40,776	34,905
Vehicle expenses	330	6,022	2,883	9,235	8,509
Repairs/maintenance	10,151	14,822	1,921	26,894	14,209
Professional fees	1,800	4,342		6,142	7,414
Advertising	855	7,912		8,767	7,589
Rent		10,800		10,800	16,006
Insurance	13,155	30,695		43,850	41,983
Printing/postage	1,483	10,760		12,243	6,126
Charity care		15,295		15,295	18,117
Nutrition		1		1	1,526
Other expenses	4,241	7,712		11,953	7,357
Depreciation	21,165	21,165		42,330	41,170
Interest	5,975	11,418	1,551	18,944	21,929
Office supplies	843	6,790		7,633	7,288
Dues and subscriptions	820	1,000		1,820	1,027
License and permits	2,554	46,136		48,690	47,873
<b>Total Expenses</b>	<b><u>\$ 367,527</u></b>	<b><u>\$ 1,702,762</u></b>	<b><u>\$ 8,619</u></b>	<b><u>\$ 2,078,908</u></b>	<b><u>\$ 1,967,907</u></b>

The accompanying notes are an integral part of this statement.



**YOUTH HEALTH SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 188,535	\$ 224,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,330	41,170
Loss on sale of asset	2,324	
Unrealized (gain) loss on investments	(6,413)	(982)
Allowance for bad debts	55,614	100,403
(Increase) decrease in operating assets:		
Accounts receivable	(15,289)	45,404
Increase (decrease) in operating liabilities:		
Accounts payable	22,310	(1,644)
Accrued payroll taxes	1,715	(1,722)
Accrued wages	1,211	8,207
Deferred revenue	26,233	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>318,570</u>	<u>415,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of asset	3,500	
Purchase of equipment	(31,539)	(1,322)
Designation of cash funds by board for investment purposes	(6,038)	(7,335)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(34,077)</u>	<u>(8,657)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(126,452)	(22,750)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(126,452)</u>	<u>(22,750)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	158,041	383,787
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>460,044</u>	<u>76,257</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 618,085</u>	<u>\$ 460,044</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ 18,944</u>	<u>\$ 21,929</u>

The accompanying notes are an integral part of this statement.

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

Youth Health Service, Inc. is a nonprofit corporation organized under the provision of Code Section 501(c)(3) of the Internal Revenue Code. The Organization provides health, nutritional, and behavioral mental health services, and child care for area youth. The Organization serves the counties of Randolph, Barbour, Tucker, Pocahontas, Upshur, and Lewis West Virginia.

These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. Accordingly, transactions and balances are classified into three categories of net assets: 1) unrestricted net assets which have no donor-imposed restrictions, 2) temporarily restricted net assets, which have donor-imposed restrictions that will expire in the future, and 3) permanently restricted net assets which have donor-imposed restrictions which do not expire.

The expiration of a donor-imposed restriction or a contribution is recognized in the period in which the restrictions expire at which time the related revenue is recognized as unrestricted net assets.

**Investments - Marketable Securities**

Investments - marketable securities are stated at fair value with unrealized gains or losses reflected on the Statement of Activities for each year presented.

**Pledges Receivable and Bequests**

Pledges and bequests, less an appropriate reserve, are recorded at their estimated fair value. Pledges and bequests that are due in more than one year are recorded at the present value of estimated future cash flows.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost or approximate market value at date of acquisition or by gift. Depreciation is provided for by the straight-line method over the expected useful economic life of the assets which is 7 years for equipment, 5 years for vehicles, and 20 years for building and improvements.

**Revenue Recognition**

Operation revenues are recognized as revenue is earned.

Gifts and grants are recognized as revenue at the time they are contractually received and are recorded at the fair market value at the date of receipt.

**Income Taxes**

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501 (c)(3).

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are generally subject to examination by the Internal Revenue Service for three years after they are filed.

**YOUTH HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**Allowance for Uncollectible Receivables**

The Organization makes an annual evaluation of its anticipated losses on uncollectible receivables. Provisions for uncollectible amounts are based on historical collection results applied to current receivables. The allowance for uncollectible receivables were \$85,389 and \$66,333 at June 30, 2018 and 2017, respectively.

**Interest Expense**

Interest costs are expensed as incurred.

**Cash Flows**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk**

Youth Health Service, Inc. bills the West Virginia Department of Health and Human Services for services performed under the various programs offered by the Organization. At June 30, 2018 and 2017 approximately 40% and 58% respectively of the accounts receivable balance represented fees charged to the State of West Virginia by the Organization.

During the fiscal year ended June 30, 2018 and 2017, Youth Health Service, Inc.'s bank deposits were insured by the FDIC. However, at June 30, 2018 deposits in one bank was over the FDIC coverage limit of \$250,000 by \$56,938.

**Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are based on known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change.

**Financial Instruments**

At June 30, 2018 and 2017, the Organization's financial instruments include cash, accounts receivable, notes payable, and accounts payable. At June 30, 2018 and 2017 there were no material differences between the carrying amount and the fair value of these financial instruments.

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**Charity Care**

In its effort to provide quality care services to the communities it serves, Youth Health Service, Inc. provides services to various individuals who are not covered by qualified state or federal programs or private insurance carriers. The Organization records the cost of these services to individuals who cannot pay for these services as charity care, while recognizing an equal amount of revenue.

Charity care as distinguished from bad debt expense is the inability of the service recipient to pay for service which is recognized by Youth Health Service, Inc. at the inception of the service, while bad debt expense is recognized for those individuals who do not pay for services rendered.

**Note 2. Program Descriptions**

Youth Health Service, Inc. provided the following programs and services for area youth under grant awards and contracts during the year ended June 30, 2018:

**WV Department of Health and Human Resources, Office of Behavioral Health and Health Facilities**

- A. The Expanded School Mental Health (ESMH) program serves eight schools in Tucker, Pocahontas and Randolph counties; this program allows for the implementation of school-based services to improve access to prevention and mental health services for students, therefore increasing school attendance and performance. This grant is invoiced monthly and renewed annually.
- B. The Screening, Brief Intervention and Referral to Treatment (SBIRT) program aims to identify children 9+ that are at risk for substance misuse. Clients in all five counties served are screened at intake and annually thereafter, with appropriate follow-up screeners and assessments utilized as needed depending on responses to the initial screener. Results from screeners and assessments allow clinical staff to determine if a child needs intervention or treatment to manage substance use. This grant is invoiced monthly and renewed annually.

**WV Department of Health and Human Resources, Bureau for Children and Families**

Awarded Youth Health Services, Inc. a 12 month grant to develop and implement a Family Resource Center at the Elkins Youth Health Services, Inc.'s main facility. The Home Ties Strengthening Families Center provides primary prevention and support services to families in Randolph County with children 0-18 years of age.

**WV Department of Commerce- WV Development Office**

The Neighborhood Investment Program (NIP) was established by the West Virginia Legislature to increase charitable giving to local nonprofit organizations. The program allows 501(c)(3) designated charitable organizations to apply for tax credit vouchers. These organizations distribute the vouchers to businesses and individuals who contribute to the organizations.

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 2. Program Descriptions (Continued)**

**Randolph County Schools Pre-K Collaborative Classroom at YHS**

This annual contractual agreement establishes a collaboration between the Randolph County Board of Education and the Youth Health Service, Inc. for Pre-K education of 4 year old children. The classroom is located at YHS, Inc. and follows the school calendar for Pre-K students throughout the county. The Randolph County/YHS Collaborative Preschool classroom provides quality preschool and early care service opportunities regardless of socio-economic status, individual ability or background. The High/Scope preschool curriculum is utilized. Eligible students are enrolled through the Randolph County Pre-K Enrollment process and are assigned to the classroom through a collaborative planning committee comprised of parent and professional representatives.

**OTHER FUNDING SOURCES**

**United Way of Randolph County**

The United Way provides local support for the Home Ties Child Nutrition Program costs. These funds match WV Department of Education Child Nutrition funds and private tuition fees paid by parents to cover the cost of providing nutritious meals and helps keep the tuition fees within affordable range for working parents while maintaining the quality of the program

**Private Foundations**

Snowshoe Foundation- The Snowshoe Foundation seeks to enhance the quality of life for Pocahontas, Randolph and Webster counties by financially investing in local organizations and/or individuals; it is particularly interested in projects involving children, youth and families. Funds received from this grant allowed YHS to upgrade and purchase additional tele-medicine equipment, through this project, children who would normally be required to travel anywhere between one and two hours to receive services can receive those services in their home community, traveling less than 30 minutes for much needed services.

The Community Foundation (TCF)- TCF awards grants with the goal of developing a thriving community. It is the 3<sup>rd</sup> largest foundation in the south-east and has four identified priority areas: cultural vibrancy, economic prosperity, educational success, and health & wellness. Funding received from TCF allowed us to purchase curriculum utilized with students in both the middle school and high school setting addressing violence, anti-social behaviors, depression and suicidal thoughts/actions.

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 2. Program Descriptions (Continued)**

Sisters of St. Joseph Health & Wellness Foundation (SSJ)- The mission of the SSJ Health and Wellness Foundation is to make optimal use of its resources in order to promote and support collaboration and partnership among various local, state and national groups working to strengthen the holistic health of children and families in West Virginia. Funding received from SSJ was utilized to purchase equipment to expand our tele-medicine services and upgrade existing equipment for use by clinicians to access the tele-medicine system.

Pocahontas County Commission- The Pocahontas County Commission aims to support opportunities for the citizens of Pocahontas County to be able to enjoy a happy, healthy and successful life. To that end, the Commission provided to YHS that allowed children in the county to receive ongoing mental health services with transportation being provided at no additional cost during the summer months. Money received from the Commission was also applied to funding for experiential opportunities for these children to work with equine Therapists while reducing behavioral health symptoms.

Cardinal Health Foundation- The Cardinal Health Foundation supports local, national and international programs that improve the overall wellness of communities. To help combat prescription drug abuse, it partnered with The Ohio State University College of Pharmacy to create and promote Generation Rx programming, a national drug education awareness program. With funding received, My Choice, My Life, My Future programming will be initiated at Elkins Middle School during the 2018-2019 school year. This programming focuses on prevention education and strengthening protective factors for all middle school students.

**Note 3. Investments**

Investments in American Funds at June 30, 2018 and 2017 consist of:

	<b>Cost Value</b>	<b>Unrealized Gain</b>	<b>Unrealized (Loss)</b>	<b>Fair Value</b>
<b>2018</b>				
New Economy Fund A	\$ 15,825	\$ 3,918	\$	\$19,743
AF U.S. Government Money Market A	67			67
New Perspective Fund A	7,953	1,126		9,079
Washington Mutual Investors Fund A	14,096	3,447		17,543
American Balanced Fund A	15,448	929		16,377
AMCAP Fund A	23,631	4,115		27,746
	-----	-----	-----	-----
	\$ 77,020	\$ 13,535	\$	\$ 90,555
	=====	=====	=====	=====

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 3. Investments (Continued)**

	<b>Cost Value</b>	<b>Unrealized Gain</b>	<b>Unrealized (Loss)</b>	<b>Fair Value</b>
<b>2017</b>				
New Economy Fund A	\$ 12,119	\$ 1,722	\$	\$13,841
AF U.S. Government Money Market A	12,023			12,023
New Perspective Fund A	6,329	506		6,835
Washington Mutual Investors Fund A	10,318	2,996		13,314
American Balanced Fund A	12,280	548		12,828
AMCAP Fund A	18,413	1,350		19,763
	<u>\$ 71,482</u>	<u>\$ 7,122</u>	<u>\$</u>	<u>\$ 78,604</u>
	=====	=====	=====	=====

**Note 4. Property and Equipment**

Property and equipment consisted of the following at September 30:

	<b>2018</b>	<b>2017</b>
Land and buildings	\$ 1,091,127	\$ 1,091,127
Vehicles	106,684	100,594
Equipment, furniture and fixtures	59,740	53,980
	<u>1,257,551</u>	<u>1,245,701</u>
Accumulated depreciation	(902,188)	(873,723)
Net property and equipment	<u>\$ 355,363</u>	<u>\$ 371,978</u>
	=====	=====

**Note 5. Internally-Designated Assets**

As of June 30, 2018 and 2017, the Board had designated cash and investments aggregating \$97,121 and \$84,670. Of this amount, \$6,566 and \$6,066 was cash funds and \$90,555 and \$78,604 was investments, respectively.

The internally-designated funds were as follows:

	<b>2018</b>	<b>2017</b>
Investment Endowment Fund	\$ 90,555	\$ 78,604
YHS Endowment Fund	6,566	6,066
	<u>\$ 97,121</u>	<u>\$ 84,670</u>
	=====	=====

**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 6. Grant Balances**

Following is the status of grants for the individual programs for the fiscal year June 30, 2018:

	Original Amount of Award	Amount Earned in Fiscal Year June 30, 2018	Undrawn or Unused Fiscal Year June 30, 2018
WVDHHR School Based Mental Health Services Grant 6/30/18	\$ 240,000	\$ 240,000	\$ -0-
WVDHHR Substance Abuse (GACSA) 9/30/18	50,000	37,636	12,364
9/30/17	50,000	14,270	-0-
WVDHHR Family Resource Center 6/30/18	75,000	75,000	-0-
United Way 6/30/18	500	500	-0-
	<u>\$ 415,500</u> =====	<u>\$ 367,406</u> =====	<u>\$ 12,364</u> =====

**Note 7. Bank Line of Credit**

The Organization has a bank line of credit with Citizens National Bank for \$75,000. The line of credit is secured by land, building, and improvements. Amounts drawn on the line of credit are subject to the prime interest rate plus 1%. The interest rate on the line of credit as of June 30, 2018 is 5.25%. The outstanding balance on the line of credit is \$ -0- and \$ -0- at June 30, 2018 and 2017, respectively.



**YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 8. Long-Term Debt**

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

	<b>2018</b>	<b>2017</b>
Note payable to bank, payable in monthly installments of \$3,557.36, including interest at 4.35% through September 28, 2033. The interest rate may change every 60 months based on the prime interest rate plus 1.00%. Note is secured by land, building, and improvements	\$ 363,743	\$ 490,195
Less Current Portion	(27,408)	(21,796)
<b>Total Long-Term Debt</b>	<u>\$ 336,335</u> =====	<u>\$ 468,399</u> =====

Maturities of long-term debt at June 30, 2018 are as follows:

Year Ending June 30,					
	2019	\$	27,408		
	2020		28,624		
	2021		29,894		
	2022		31,221		
	2023		32,606		
	Thereafter		213,990		
	<b>Total</b>	<b>\$</b>	<b>363,743</b>		
			<u>                    </u> =====		

**Note 9. Donated Services and Materials**

During the years ended June 30, 2018 and 2017 the Organization received donated services and materials. The value of these items is determined based on their fair market value at the time of donation. The Organization received \$3,777 and \$2,792 in donated supplies for the year ended June 30, 2018 and 2017, respectively.

**Note 10. Subsequent Events**

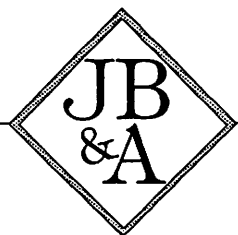
Management has evaluated subsequent events through October 10, 2018, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**YOUTH HEALTH SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Grantor Name/ Program Title	Grant Number	Award Amount	Receivable (Deferred) 6/30/2017	Expenditures 7/1/2017 6/30/2018	Undrawn Unused 6/30/2018
<b>West Virginia Department of Health and Human Resources :</b>					
<b>Bureau for Behavioral Health</b>					
School Based Mental Health (7/1/17-6/30/18)	G180089	\$ 240,000	\$	\$ 240,000	\$
Substance Abuse (GACSA) (7/1/17-9/30/18)	G180560	50,000		37,636	12,364
(10/1/16-9/30/17)	G170560	50,000	14,270	14,270	
<b>Bureau for Children &amp; Families</b>					
Family Resource Center (7/1/17-6/30/18)	G180158	<u>52,900</u>		<u>52,900</u>	
<b>Total Grant</b>		<u>\$ 392,900</u>	<u>\$ 14,270</u>	<u>\$ 344,806</u>	<u>\$ 12,364</u>

The accompanying independent auditor's report is an integral part of this schedule.



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
and Senior Management  
Youth Health Service, Inc.  
Elkins, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Health Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Youth Health Service, Inc.'s internal control over financial reporting (internal control) to determine the 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 Youth Health Service, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

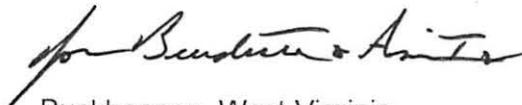
### Compliance and Other Matters

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

We noted certain other matters that we reported to management of Youth Health Services, Inc. in a separate letter dated October 10, 2018 on page 18.

### Purpose of this Report

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



Buckhannon, West Virginia  
October 10, 2018

DHHR - Finance

OCT 29 2018

Date Received



# JOHN BURDETTE & ASSOCIATES

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## MANAGEMENT LETTER

To the Board of Directors  
and Senior Management  
Youth Health Services, Inc.  
Elkins, West Virginia

In planning and performing our audit of the financial statements of Youth Health Services, Inc. for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter on pages 16 and 17 dated October 10, 2018 contains our communication of significant deficiencies or material weaknesses in the Organization's internal control. This letter does not affect our report dated October 10, 2018, on the financial statements of Youth Health Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Executive Co-Directors and staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

DHHR - Finance

OCT 29 2018

Date Received

  
Buckhannon, West Virginia  
October 10, 2018