

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

JUNE 30, 2010

DHHR - Finance

AUG 4 2011

Date Received



HEALTH CONNECTIONS ♦ HOME TIES CHILD CARE

June 7, 2011

To Whom It May Concern:

Please find the enclosed Independent Auditors Report for FY 2009-2010 for Youth Health Service, Inc.

If you have any questions, please contact me at (304) 636-9450, ext 239, or by email at [yhsamanda@yahoo.com](mailto:yhsamanda@yahoo.com)

Sincerely,

A handwritten signature in black ink that reads "Amanda Arbogast". The signature is written in a cursive style with a large, sweeping initial "A".

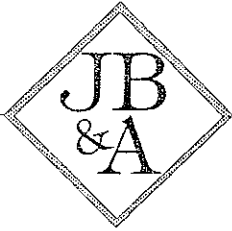
Amanda Arbogast  
Business Coordinator

Enclosures



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# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

PO BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Youth Health Service, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2011, on our consideration of Youth Health Service, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Buckhannon, West Virginia  
May 18, 2011

YOUTH HEALTH SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2010

**ASSETS**

**Current Assets**

Cash	\$ 9,515
Accounts receivable, net	75,435
Prepaid expenses	<u>1,868</u>

Total Current Assets	<u>86,818</u>
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Property and Equipment, net	<u>514,966</u>
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**Other Assets**

Cash - designated	23,810
Investments - designated	<u>40,743</u>

<b>TOTAL ASSETS</b>	<b><u><u>\$ 666,337</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Current portion of long-term debt	\$ 10,122
Line of Credit	199,662
Accounts payable and accrued expenses	89,008
Accrued payroll taxes	6,785
Accrued wages	<u>57,134</u>

Total Current Liabilities	<u>362,711</u>
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Long-Term Debt	<u>283,685</u>
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**NET ASSETS**

Unrestricted:	
Undesignated	(44,612)
Designated by board	<u>64,553</u>

Total Net Assets	<u>19,941</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 666,337</u></u></b>
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The accompanying notes are an integral part of this statement

YOUTH HEALTH SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>
<b>REVENUE AND SUPPORT</b>	
Federal financial assistance	\$ 116,978
State grants	10,000
Other grants	102,914
Donations and gifts	16,806
Contractual services	1,059,928
Workshops and classes	5,862
Investment income	21
Change in unrealized gain (loss)	4,759
Miscellaneous	7,234
Total revenue and support	1,324,502
<b>EXPENSES</b>	
Program Services	
Daycare program	546,413
Mental trauma grant	89,644
Other behavior health services	503,588
Supporting Services	
Management and general	443,274
Total operating expenses	1,582,919
<b>Change in Net Assets</b>	(258,417)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	278,358
<b>NET ASSETS AT END OF YEAR</b>	\$ 19,941

The accompanying notes are an integral part of this statement.

**YOUTH HEALTH SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Daycare Program	Mental Health Trauma Grant	Other Behavior Health Services	General & Administrative	TOTAL
Personnel expenses	\$ 442,662	\$ 69,648	\$ 417,466	\$ 237,071	\$ 1,166,847
Contract services		2,240	25,575	4,123	31,938
Utilities	21,295	31		23,965	45,291
Continuing education	545			40	945
Travel	216	499		4,147	11,275
Supplies/materials	5,240	5,977		16,356	35,851
Van		2,317		6,815	9,132
Repairs/maintenance	2,435			2,921	5,356
Professional fees	5,703			13,915	25,321
Advertising	307			3,537	3,844
Rent	7,200	450		525	8,175
Insurance	14,619	3,000		17,507	35,126
Printing/postage				2,780	2,780
Charity care					16,334
Nutrition	33,425				33,425
Other expenses	2,878	5,482		57,606	67,913
Depreciation				41,593	41,593
Interest	9,888			10,373	20,261
Privilege enhancement tax			21,512		21,512
<b>Total Expenses</b>	<b>\$ 546,413</b>	<b>\$ 89,644</b>	<b>\$ 503,588</b>	<b>\$ 443,274</b>	<b>\$ 1,582,919</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, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (258,417)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	41,593
Unrealized gain on investments	(4,759)
(Increase) decrease in operating assets:	
Accounts receivable, net	58,682
Increase (decrease) in operating liabilities:	
Accounts payable	68,212
Accrued payroll taxes	(4,321)
Accrued wages	(11,496)
Deferred revenue	<u>(100)</u>

**NET CASH USED IN OPERATING ACTIVITIES** (110,606)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Disposal of equipment	31,101
Designation of cash funds by board for investment purposes	<u>(4,759)</u>

**NET CASH USED IN INVESTING ACTIVITIES** 26,342

**CASH FLOWS FROM FINANCING ACTIVITIES**

Line of credit proceeds (repayments), net	78,700
Repayment of long-term debt	<u>(6,193)</u>

**NET CASH PROVIDED BY FINANCING ACTIVITIES** 72,507

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (11,757)

**CASH AND CASH EQUIVALENTS, beginning of year** 21,272

**CASH AND CASH EQUIVALENTS, end of year** \$ 9,515

The accompanying notes are an integral part of this statement.



**YOUTH HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 and Pocahontas, 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.

**Marketable Securities**

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.

YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

**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.

**Interest Expense**

Interest costs are expensed as incurred

**Cash Flows**

For purposes of reporting cash flows, cash includes cash on hand, amounts due from banks and temporary cash investments. There is no significant difference between interest expense and interest paid as reported on the Statements of Activities.

**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, 2010 approximately 54% of the accounts receivable balance represented fees charged to the State of West Virginia by the Organization.

During the fiscal year ended June 30, 2010, Youth Health Service, Inc. bank deposit were insured by the FDIC.

**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, 2010, the Organization's financial instruments include cash, accounts receivable, notes payable, and accounts payable. At June 30, 2010 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)  
JUNE 30, 2010

**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 during the year ended June 30, 2010:

**United Way of Randolph County**

The United Way provides local support for seed and matching money for expansion of essential services to outlying areas not otherwise served, i.e., Harmon and Valley Head, West Virginia.

**Safe and Drug Free Communities Grant**

This program aims to increase the availability of research-based prevention services that will reduce youth aggressiveness and disruptive behaviors and substance abuse. The program provides prevention education to youth, ages 4-8 years and parents of youth ages birth-17 years in Randolph County. These services are especially targeted to reach youth in the outlying areas of the county.

**Substance Abuse Mental Health Services Administration**

"Strength Builders" is a quality improvement program of Youth Health Service, Inc. as a National Child Traumatic Stress Initiative Community Treatment and Services Center. The goals of Strength Builders are to improve the mental health status of children and adolescents who have experienced complex trauma and to improve community practices and collaborations for the care of traumatized children and adolescents. Professional training, public education and community collaboration are combined to create an environment that supports and sustains the delivery and use of best practices for trauma-focused treatment and care services.

YOUTH HEALTH SERVICE, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

**Randolph County Family Resource Network**

Grant funds are received from the Randolph County Family Resource Network (FRN) to enhance the substance abuse prevention education programs for high risk youth and parents. These funds are awarded to the Randolph County FRN through a state program funded by SAMITSA entitled "West Virginia Strategic Planning Framework State Incentive Grant" (SPF-SIG). The Randolph County FRN sub-contracts YHS to provide (1) Parenting education to parents of high risk youth and (2) substance abuse prevention education for high school students. These funds compliment the Safe and Drug Free Community program at VHS and allow for expansion of prevention services to Randolph county families

**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.

**Note 3. Internally-Designated Assets**

As of June 30, 2010, the Board had designated cash and investments aggregating \$64,553. Of this amount, \$23,810 was cash funds and \$40,743 was investments.

The internally-designated funds were as follows:

Investment Endowment Fund	\$ 40,743
YHS Endowment Fund	14,081
Teen Court Fund	8,355
Rachel A Bryant Memorial Fund	1,374
	-----
Total	\$ 64,553
	=====

YOUTH HEALTH SERVICE, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 4. Grant Balances**

Following is the status of grants for the individual programs for the fiscal year June 30, 2010, and the grants that were carried to the fiscal year June 30, 2011:

	Original Amount of Award	Amount Earned in Fiscal Year June 30, 2010	Amount for Fiscal Year June 30, 2011
Safe and Drug Free Community Grant 8/31/09	\$ 30,000	\$ 7,771	\$ -0-
8/31/10	26,194	19,563	6,631
School Based Mental Health Services Grant	10,000	10,000	-0-
Substance Abuse Mental Health Services Administration Grant	484,558	89,644	-0-
Randolph County Pre-K Collaborative Grant	79,480	79,480	-0-
Randolph County FRN Grant 9/30/09	18,288	7,398	-0-
9/30/10	16,466	11,536	4,930
United Way	5,000	5,000	-0-
	\$ 669,486	\$ 229,892	\$ 11,561

**Note 5. Bank Line of Credit**

The Organization has a bank line of credit with Citizens National Bank for \$200,000. 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, 2010 is 5.25%. The outstanding balance on the line of credit is \$199,662 at June 30, 2010.

YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

**Note 6. Long-Term Debt**

Long-term debt at June 30, 2010, consists of the following:

Note payable to bank, payable in monthly installments of \$1,928.03, including interest at 4.5% through April 2029. The interest rate will change every 60 months based on the prime interest rate plus 1.5%. Note is secured by land, building, and improvements	\$ 293,807
Less Current Portion	(10,122)
Total Long-Term Debt	<u>\$ 283,685</u> =====

Maturities of long-term debt at June 30, 2010 are as follows:

Year Ending June 30,	2011	\$	10,122
	2012		10,587
	2013		11,074
	2014		11,582
	2015		12,114
	Thereafter		238,328
	Total	\$	<u>293,807</u> =====

**Note 7. Investments**

Investments of Youth Health Service, Inc. at June 30, 2010 consist of:

	Cost	Fair Value
New Perspective Fund A	\$ 23,234	\$ 18,629
Washington Mutual Investors Fund A	20,699	16,136
The Bond Fund of America – A	6,180	5,978
	<u>\$ 50,113</u> =====	<u>\$ 35,984</u> =====

YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

**Note 7. Investments (Continued)**

The Organization has an unrealized loss of \$9,370 at June 30, 2010. The Organization considers this loss to be temporarily impaired, and consequently, does not believe the Organization will sustain any material losses as a result of the current temporary decline in market value. The Organization has the ability to hold these investments for a period of time sufficient to allow for anticipated recovery in value.

During the year ended June 30, 2010, the Company adopted the FASB's guidance on "Fair Value Measurements." The FASB has provided guidance for using fair value to measure assets and liabilities, and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. This guidance applies whenever other standards require or permit assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The Company's adoption of this guidance did not have a significant impact on its financial condition or results of operations.

The FASB's guidance on "Fair Market Measurements" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy under this guidance are described below:

**Basis of Fair Value Measurement:**

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

YOUTH HEALTH SERVICE, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7. Investments (Continued)**

The following table presents the significant line items reported on the statement of financial position at their fair value at June 30, 2010, by level within the fair value hierarchy. As required by this guidance, the following items are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2010	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observance Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities:				
Available-for-sale	\$ 40,743	\$ 40,743	\$ -0-	\$ -0-

Gains and losses (realized and unrealized) included in changes in net assets for the year ended June 30, 2010 are reported as follows:

Total gains or losses included in changes in net assets for the year	\$ -0-
	=====
Change in unrealized gains or losses relating to assets still held at June 30, 2010	\$ 4,759
	=====

The company utilizes a third party service provider to obtain fair value amounts for its available-for-sale securities. Valuation techniques used by the third party service provider are primarily comprised of broker quotes.

**Note 8. Donated Services and Materials**

During the years ended June 30, 2010 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. Services provided included donated services by board members and other volunteers. All services and materials were recognized in their respective current years.

**Note 9. Retirement Plan**

The Organization has established a retirement plan for all qualified employees as defined by the plan document. The plan provisions provide for discretionary employer contributions, not limited by net profits, but limited by Internal Revenue Service regulations. The Organization made no contributions to the plan for the years ended June 30, 2010.

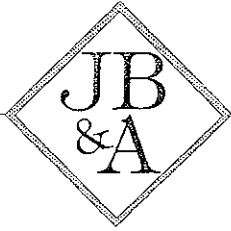


YOUTH HEALTH SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

**Note 10. Subsequent Events**

Management has evaluated subsequent events through May 18, 2011, the date which the financial statements were available to be issued

**SUPPLEMENTAL INFORMATION**



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
Youth Health Service, Inc  
Elkins, West Virginia

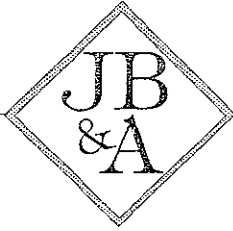
Our report on our audit of the basic financial statements of the Youth Health Services, Inc. for the year ended June 30, 2010 appears on page 1. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of the purpose of forming an opinion of the basic financial statements taken as a whole. The schedule of expenditures of state awards is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Buckhannon, West Virginia  
May 18, 2011

YOUTH HEALTH SERVICES, INC.  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2010

Grantor Name/ Program Title	Grant Number	Award Amount	Receivable (Deferred) 6/30/2009	Expenditures 7/1/2009 6/30/2010	Undrawn Unused 6/30/2010
<b>West Virginia Department of Health and Human Resources - Bureau for Behavioral Health</b>					
<b>WV DHHR - School Based Mental Health</b>					
<b>(7/1/09-6/30/10)</b>	G100070	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>Total Grant</b>		<u><u>\$ 10,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ -</u></u>

The accompanying independent auditors' report on supplemental information  
 is an integral part of this schedule



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITORS' 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  
Youth Health Service, Inc.  
Elkins, West Virginia

We have audited the financial statements of Youth Health Service, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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 misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. 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.


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youth Health Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 matters that we reported to management of Youth Health Services, Inc. in a separate letter dated May 18, 2011.*

*Youth Health Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Youth Health Services, Inc.'s response and, accordingly, we express no opinion on it*

This report is intended solely for the information and use of the management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Buckhannon, West Virginia  
May 18, 2011

YOUTH HEALTH SERVICES, INC.  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2010

**Section 1 - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to financial statements noted?  yes  no

**Financial Statement Findings**

Significant Deficiency

2010-1 Internal Controls

Condition: Credit card was being used without management approval and a charge account was opened without management approval. Some petty cash disbursements were not recorded properly on the GL. One employee's payroll was being calculated for a higher amount than approved by management.

Criteria: Internal controls should be in place that provide reasonable assurance that credit card and charge account transactions are approved by management. Internal controls over petty cash and payroll should be in place that provide reasonable assurance that transactions are for approved amounts and recorded properly.

Cause: Internal controls in place were not being followed or were inadequately designed.

Effect: Because of the failure to approve all credit card transactions \$7,120 in questionable expenditures were made on the credit card and \$2,646 were made on the charge account. There were 7 petty cash checks that were not recorded on the GL and appear to have been for questionable expenditures of \$867. Payroll for one employee was calculated at a higher amount than was approved by management which resulted in \$4,767 in questionable wages.

Recommendation: Internal controls in place should be followed or better designed to provide reasonable assurance that charge accounts are only opened and used with management's approval. Controls also need to be in place to insure that all transactions are recorded in the GL. All expenditures should be approved by someone other than the person writing checks and the bank accounts should be reconciled by someone other than the person writing checks. Someone without accounting duties should open the mail. Payroll calculations and checks should be reviewed by management on a regular basis to provide assurance that payroll has been calculated at rates approved by management.

Response: The Organization agrees with the findings and the recommended procedures have been implemented.

The accompanying notes are an integral part of this schedule