

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

JUNE 30, 2016 and 2015

DHHR - Finance

NOV 18 2016

Date Received

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	
Statement of Financial Position	1-2
Statement of Activities	3
Schedule of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 7-14
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of State Awards	15
INDEPENDENT AUDITOR'S REPORT ON CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16-17
MANAGEMENT LETTER	18



JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016 and 2015, 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

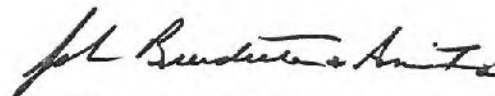
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Health Service, Inc. as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles 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 August 9, 2016, 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
August 9, 2016

DHHR - Finance

NOV 18 2016

Date Received

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

ASSETS	2016	2015
Current Assets		
Cash	\$ 76,257	\$ 94,030
Accounts receivable, net	<u>308,784</u>	<u>224,442</u>
Total Current Assets	<u>385,041</u>	<u>318,472</u>
Property and Equipment, net	<u>411,826</u>	<u>411,907</u>
Other Assets		
Cash - designated	6,066	26,660
Investments - designated	<u>70,287</u>	<u>49,104</u>
Total Other Assets	<u>76,353</u>	<u>75,764</u>
TOTAL ASSETS	<u><u>\$ 873,220</u></u>	<u><u>\$ 806,143</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 20,792	\$ 16,225
Line of Credit		28,000
Accounts payable and accrued expenses	17,990	38,666
Accrued payroll taxes	4,646	15,472
Accrued wages	39,984	83,679
Deferred revenue		<u>5,888</u>
Total Current Liabilities	<u>83,412</u>	<u>187,930</u>
Long-Term Debt	<u>492,153</u>	<u>413,017</u>
NET ASSETS		
Unrestricted:		
Undesignated	221,302	129,432
Designated by board	<u>76,353</u>	<u>75,764</u>
Total Net Assets	<u>297,655</u>	<u>205,196</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 873,220</u></u>	<u><u>\$ 806,143</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>2016</u> <u>Unrestricted</u>	<u>2015</u> <u>Unrestricted</u>
REVENUE AND SUPPORT		
Federal financial assistance	\$ 22,100	\$ 17,098
State grants	240,009	226,192
Other grants	10,250	3,750
Donations and gifts	23,287	36,677
Contractual services	1,721,633	1,455,107
Investment income	2,725	2,971
Unrealized gain (loss)	(1,540)	(1,054)
Miscellaneous	601	2,350
	<u>2,019,065</u>	<u>1,743,091</u>
EXPENSES		
Program Services		
Daycare program	386,016	402,535
Behavior health services	1,531,991	1,455,795
Supporting Services		
Management and general	8,599	4,376
	<u>1,926,606</u>	<u>1,862,706</u>
Change in Net Assets	92,459	(119,615)
NET ASSETS AT BEGINNING OF YEAR	<u>205,196</u>	<u>324,811</u>
NET ASSETS AT END OF YEAR	<u>\$ 297,655</u>	<u>\$ 205,196</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,**

	Daycare Program	Behavior Health Services	General & Administrative	2016 Total	2015 Total
Personnel expenses	\$ 286,189	\$ 1,165,509	\$	\$ 1,451,698	\$ 1,408,757
Contract services	6,170	78,772		84,942	71,897
Utilities	16,251	29,682		45,933	39,487
Continuing education/training	115	5,913		6,028	3,198
Travel	105	20,923		21,028	32,104
Supplies/materials	13,553	12,154	45	25,752	19,851
Vehicle expenses	352	2,752	3,362	6,466	7,207
Repairs/maintenance	10,881	10,452	2,663	23,996	23,094
Professional fees	2,000	4,722		6,722	6,000
Advertising	467	8,378		8,845	10,498
Rent		11,714		11,714	11,730
Insurance	15,970	23,953		39,923	38,764
Printing/postage	17	1,755	141	1,913	1,659
Charity care		25,131		25,131	10,944
Nutrition	1,276			1,276	12,605
Other expenses	2,793	6,977	1,723	11,493	9,904
Depreciation	20,832	20,832		41,664	43,390
Interest	5,991	15,301		21,292	20,232
Privilege enhancement tax		49,180		49,180	45,218
Office supplies	670	4,597	262	5,529	5,694
Dues and subscriptions	394	390		784	883
License and permits	1,990	32,904	403	35,297	38,590
Total Expenses	\$ 386,016	\$ 1,531,991	\$ 8,599	\$ 1,926,606	\$ 1,862,706

The accompanying notes are an integral part of this statement.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 92,459	\$ (119,615)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,684	43,390
Unrealized (gain) loss on investments	1,540	1,054
Allowance for bad debts	52,576	
(Increase) decrease in operating assets:		
Accounts receivable	(136,918)	(40,152)
Prepaid expense		761
Increase (decrease) in operating liabilities:		
Accounts payable	(20,676)	2,654
Accrued payroll taxes	(10,826)	7,890
Accrued wages	(43,695)	26,761
Deferred revenue	(5,888)	5,888
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(29,764)</u>	<u>(71,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(41,583)	(15,197)
Designation of cash funds by board for investment purposes	(2,129)	(8,832)
NET CASH USED IN INVESTING ACTIVITIES	<u>(43,712)</u>	<u>(24,029)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds (repayments), net	(28,000)	28,000
Repayment of long-term debt	(17,428)	(15,089)
Proceeds from long-term borrowing	101,131	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>55,703</u>	<u>12,911</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,773)	(82,487)
CASH AND CASH EQUIVALENTS, beginning of year	<u>94,030</u>	<u>176,517</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 76,257</u>	<u>\$ 94,030</u>
 Supplemental Disclosures		
Interest paid	<u>\$ 21,292</u>	<u>\$ 20,232</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, and Upshur 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.

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, 2016 and 2015 approximately 58% and 57% 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, 2016 and 2015, Youth Health Service, Inc.'s bank deposits 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, 2016 and 2015, the Organization's financial instruments include cash, accounts receivable, notes payable, and accounts payable. At June 30, 2016 and 2015 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, 2016:

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

- A. The Expanded School Mental Health (ESMH) program serves five schools in Tucker and Pocahontas 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; during the 2015 year an extension of two months was granted at the program is moving to a federal cycle.

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.

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.

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

Dominion Foundation- The Dominion Foundation provides grants to non-profit organizations in 12 states. "The grants...support proven programs that provide the basic necessities we all need to survive and thrive..." Mr. Farrell president and CEO stated. YHS received grant support to assist with training and staff development in our most rural areas; the additional training received will focus on our youngest population (3-6 yrs. of age) and on one of our most commonly treated diagnosis, ADHD.

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.

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

Note 3. Investments

Investments of Youth Health Service, Inc. at June 30, 2016 and 2015 consist of:

	Cost Value	Unrealized Gain	Unrealized (Loss)	Fair Value
2016				
AF U.S. Government Money Market A	\$ 20,000	\$	\$	\$ 20,000
New Perspective Fund A	20,171	2,047		22,218
Washington Mutual Investors Fund A	19,189	4,043		23,232
The Bond Fund of America A	4,787	50		4,837
	<u>\$ 64,147</u>	<u>\$ 6,140</u>	<u>\$</u>	<u>\$ 70,287</u>
2015				
New Perspective Fund A	\$ 18,863	\$ 3,781	\$	\$ 22,644
Washington Mutual Investors Fund A	17,861	4,010		21,871
The Bond Fund of America – A	4,700		(111)	4,589
	<u>\$ 41,424</u>	<u>\$ 7,791</u>	<u>\$ (111)</u>	<u>\$ 49,104</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at September 30:

	2016	2015
Land and buildings	\$ 1,091,127	\$ 1,064,851
Vehicles	100,594	100,594
Equipment, furniture and fixtures	52,658	37,351
	<u>1,244,379</u>	<u>1,202,796</u>
Accumulated depreciation	(832,553)	(790,389)
Net property and equipment	<u>\$ 411,826</u>	<u>\$ 411,907</u>

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

Note 5. Internally-Designated Assets

As of June 30, 2016 and 2015, the Board had designated cash and investments aggregating \$76,353 and \$75,764. Of this amount, \$6,066 and \$26,660 was cash funds and \$70,287 and \$49,104 was investments, respectively.

The internally-designated funds were as follows:

	2016	2015
Investment Endowment Fund	\$ 70,287	\$ 49,104
YHS Endowment Fund	6,066	25,778
Rachel A Bryant Memorial Fund		882
Total	\$ 76,353	\$ 75,764

Note 6. Grant Balances

Following is the status of grants for the individual programs for the fiscal year June 30, 2016:

	Original Amount of Award	Amount Earned in Fiscal Year June 30, 2016	Undrawn or Unused Fiscal Year June 30, 2016
WVDHHR School Based Mental Health Services Grant 6/30/16	\$ 137,500	\$ 137,500	\$ -0-
WVDHHR Substance Abuse (GACSA) 9/30/16	62,500	49,609	12,891
WVDHHR Family Resource Center 6/30/16	75,000	75,000	-0-
United Way 6/30/16	3,750	3,750	-0-
	\$ 278,750	\$ 187,109	\$ 12,891

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

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, 2016 is 5.25%. The outstanding balance on the line of credit is \$-0- and \$ 28,000 at June 30, 2016 and 2015, respectively.

Note 8. Long-Term Debt

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

	2016	2015
Note payable to bank, payable in monthly instalments 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	\$ 512,945	\$ -0-
 Note payable to bank, payable in monthly installments of \$2,881.83, 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	-0-	429,242
Less Current Portion	(20,792)	(16,225)
Total Long-Term Debt	<u>\$ 492,153</u>	<u>\$ 413,017</u>

Maturities of long-term debt at June 30, 2016 are as follows:

Year Ending June 30,	2017	\$	20,792
	2018		21,715
	2019		22,679
	2020		23,685
	2021		24,736
	Thereafter		399,338
	Total	\$	<u>512,945</u>

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

Note 9. Donated Services and Materials

During the years ended June 30, 2016 and 2015 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 \$2,633 and \$5,359 in donated supplies for the year ended June 30, 2016 and 2015, respectively.

Note 10. Subsequent Events

Management has evaluated subsequent events through August 9, 2016, 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, 2016**

Grantor Name/ Program Title	Grant Number	Award Amount	Receivable (Deferred) 6/30/2015	Expenditures 7/1/2015 6/30/2016	Undrawn Unused 6/30/2016
West Virginia Department of Health and Human Resources :					
Bureau for Behavioral Health					
School Based Mental Health (7/1/15-6/30/16)	G160385	\$ 137,500	\$	\$ 137,500	\$
Substance Abuse (GACSA) (7/1/15-6/30/16)	G160438	62,500		49,609	12,891
Bureau for Children & Families					
Family Resource Center (7/1/15-6/30/16)	G160048	<u>52,900</u>		<u>52,900</u>	
Total Grant		<u>\$ 252,900</u>	<u>\$</u>	<u>\$ 240,009</u>	<u>\$ 12,891</u>

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



JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 473-3600 • FAX (304) 473-3601

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, 2016 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 August 9, 2016.

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.

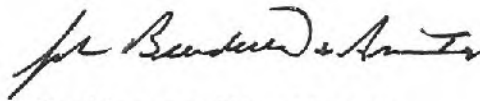
Compliance and Other Matters

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 August 9, 2016 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.

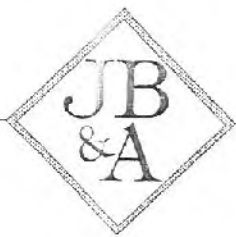


Buckhannon, West Virginia
August 9, 2016

DHHR - Finance

NOV 18 2016

Date Received



JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2016, 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 August 9, 2016 contains our communication of significant deficiencies or material weaknesses in the Organization's internal control. This letter does not affect our report dated August 9, 2016, 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 Director and her 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

NOV 18 2016

Date Received

Buckhannon, West Virginia
August 9, 2016



HEALTH CONNECTIONS ♦ HOME TIES CHILD CARE

November 8, 2016

To Whom It May Concern:

Please find the enclosed Independent Auditors Report for Fiscal Year 2016, for Youth Health Service, Inc. If you have any questions, please contact me at 304-636-9450, ext. 239 or by email yhsamanda@yahoo.com.

Sincerely

Amanda Arbogast
Business Coordinator
Youth Health Service, Inc.
971 Harrison Ave
Elkins WV 26241

Encl: FY 2016 Auditors Report
WV DHHR Sworn Statement of Grant Receipts and Expenditures

DHHR Finance

NOV 18 2016

Date Received

