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AN EQUAL OPPORTUNITY EMPLOYER

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November 28, 2023

Board of Directors
Indiana Youth Services Association, Inc.
445 N. Pennsylvania St., Suite 941
Indianapolis, IN 46204

We have reviewed the audit report of Indiana Youth Services Association, Inc. which was opined upon by Humphrey CPA Group, LLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Indiana Youth Services Association, Inc. as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Humphrey CPA Group, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

INDIANA YOUTH SERVICES ASSOCIATION, INC.

Financial Statements

Years Ended December 31, 2022 and 2021

INDIANA YOUTH SERVICES ASSOCIATION, INC.

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Humphrey CPA Group, L.L.C.

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Indianapolis, IN 46237

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Indiana Youth Services Association, Inc.
Indianapolis, Indiana

Opinion

We have audited the accompanying financial statements of **Indiana Youth Services Association, Inc.** (IYSA) (an Indiana not-for-profit corporation) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and functional expenses for the year ended December 31, 2022, and its cash flows and the related notes to the financial statements for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Youth Services Association, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana Youth Services Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Youth Services Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indiana Youth Services Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Youth Services Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Indiana Youth Services Association's 2021 financial statements, and our report dated August 4, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal award shown on page 21 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic 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 audits 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 U.S. generally accepted auditing standards. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Reports Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2023 on our consideration of IYSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and in considering the Agency's internal control over financial reporting and compliance.

Humphrey CPA Group, L.L.C.

Indianapolis, Indiana
September 6, 2023

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash-unrestricted	\$ 983,449	\$ 386,585
Certificates of deposit	0	600,000
Accounts receivable	57,101	23,311
Grants receivable	613,234	713,285
Prepaid expenses	34,407	18,751
Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-non restricted portion	22,707	36,630
TOTAL CURRENT ASSETS	1,710,898	1,778,562
NON-CURRENT ASSETS		
Furniture and equipment, net of depreciation	702	1,725
Right of Use Asset, net of amortization	124,595	0
Investments	134,812	168,164
Rent deposits	6,495	6,495
Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-restricted portion	50,000	50,000
TOTAL NON-CURRENT ASSETS	316,604	226,384
TOTAL ASSETS	\$ 2,027,502	\$ 2,004,946
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 532,434	\$ 341,183
Short term loan	0	93,174
Line of credit	106,000	149,526
Accrued payroll liabilities	22,500	21,991
Other accrued expenses	73,968	72,211
Lease liability	124,595	0
Deferred revenue	842,777	1,010,817
TOTAL LIABILITIES	1,702,274	1,688,902
<u>NET ASSETS</u>		
Net assets without donor restrictions	275,228	266,044
Net assets with donor restrictions	50,000	50,000
TOTAL NET ASSETS	325,228	316,044
TOTAL LIABILITIES AND NET ASSETS	\$ 2,027,502	\$ 2,004,946

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022 (with comparative totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>(Memo) 2021 Total</u>
SUPPORT AND REVENUE				
Contract revenue	\$ 3,247,081	\$ 0	\$ 3,247,081	\$ 2,255,831
VOCA Grant	1,048,027	0	1,048,027	978,098
OVC Grant	192,447	0	192,447	118,849
Other grants received	210,964	0	210,964	129,826
Dues	106,000	0	106,000	107,500
Service revenue	131,741	0	131,741	102,345
Contributions	69,148	0	69,148	57,356
Special events, net	147,996	0	147,996	138,579
Net investment revenue	(37,720)	0	(37,720)	42,658
TOTAL SUPPORT AND REVENUE	<u>5,115,684</u>	<u>0</u>	<u>5,115,684</u>	<u>3,931,042</u>
EXPENSES				
Program services	4,621,790	0	4,621,790	3,527,495
General and administrative	391,568	0	391,568	359,261
Fundraising	93,141	0	93,141	83,457
TOTAL EXPENSES	<u>5,106,499</u>	<u>0</u>	<u>5,106,499</u>	<u>3,970,213</u>
CHANGE IN NET ASSETS	9,184	0	9,184	(39,171)
NET ASSETS, BEGINNING	<u>266,044</u>	<u>50,000</u>	<u>316,044</u>	<u>355,215</u>
NET ASSETS, ENDING	<u>\$ 275,228</u>	<u>\$ 50,000</u>	<u>\$ 325,228</u>	<u>\$ 316,044</u>

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022 (with comparative totals for 2021)

	<u>2022</u>				<u>2021</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>	<u>Total (Memo) Expenses</u>
Salaries	\$ 839,384	\$ 70,648	\$ 75,387	\$ 985,419	\$ 867,849
Payroll taxes	62,371	5,102	5,767	73,240	63,142
Employee benefits	85,016	31,745	10,853	127,614	100,844
VOCA program expense	1,047,988	0	0	1,047,988	978,098
VOCA program match expense	0	0	0	0	25,527
Program expense	1,691,433	13,459	0	1,704,892	1,487,841
Travel	17,772	28,152	715	46,639	13,493
Professional services	768,370	169,581	0	937,951	294,487
Meetings	50,362	866	0	51,228	37,728
Occupancy	15,497	9,764	345	25,606	15,981
Dues and subscriptions	22,658	23,067	0	45,725	35,563
Office supplies	5,422	27,527	0	32,949	9,412
Bad debts	0	0	0	0	18,100
Telephone and internet	2,805	2,257	74	5,136	5,317
Insurance	6,185	2,711	0	8,896	8,642
Equipment rental	1,668	640	0	2,308	1,523
Depreciation	409	614	0	1,023	1,016
Peer review	2,344	0	0	2,344	220
Technology purchases	0	2,275	0	2,275	541
Postage	205	308	0	513	883
Interest expense	1,901	2,852	0	4,753	4,006
Total expenses	\$ 4,621,790	\$ 391,568	\$ 93,141	\$ 5,106,499	\$ 3,970,213

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from government grants	\$ 1,548,540	\$ 896,178
Cash received from contract income	3,015,765	1,737,558
Cash received from other grants and donations	234,099	161,815
Cash received from services revenue	105,224	228,099
Net cash from special events	147,996	138,579
Investment income	3,223	2,189
Cash paid to vendors and employees	(4,920,861)	(3,765,227)
Cash paid for interest expense	(4,753)	(4,006)
	129,233	(604,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	0	(886)
Received from the endowment fund	4,331	3,581
Net proceeds (purchase) of certificate of deposits	600,000	300,000
	604,331	302,695
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) on line of credit	(43,526)	149,526
Net short term borrowing	(93,174)	43,174
	(136,700)	192,700
NET INCREASE (DECREASE) IN CASH	596,864	(109,420)
CASH, BEGINNING OF YEAR	386,585	496,005
CASH, END OF YEAR	\$ 983,449	\$ 386,585

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(1) Nature of operations

Indiana Youth Services Association, Inc. (IYSA) was incorporated on March 27, 1973, as an Indiana Not-for-Profit Organization. IYSA provides support and mutual assistance to members, maintains and disperses centralized information on the needs of youth and families, promotes community awareness of the needs of youth and families within the State of Indiana, advocates issues pertaining to youth and families; encourages alternatives to the juvenile justice systems, act as a resource for youth and links with other youth service programs, and advocates the rights of youth. Funding of these programs come through membership dues, government and private grants and contracts and also service fees charged.

(2) Summary of significant accounting policies

The significant accounting policies followed by IYSA are summarized below.

Financial statement presentation

IYSA has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This includes reporting of the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the information provided about expenses and investment return.

Method of accounting

IYSA uses the accrual method of accounting in accordance with U.S. generally accepted accounting principles (US GAAP). Revenue is recorded in the period earned. Expenses are reported in the period incurred. US GAAP requires IYSA to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions:**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of IYSA's management and the board of directors.

- **Net assets with donor restrictions:**

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of IYSA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IYSA's ongoing operations and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies(continued)

Revenue Recognition

Contributions

IYSA has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of IYSA's financial reporting. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

IYSA recognizes contributions when cash, securities or other assets are received; if the donor has given an unconditional promise to give; or if a notification of a beneficial interest is received. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. As on December 31, 2022 and 2021, IYSA has not received any contributions with conditional promises.

Grants

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A portion of IYSA's revenue is derived from cost-reimbursable contracts from state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when IYSA has incurred expenditures in compliance with specific contract or grant positions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Note 5 lists the amounts received in advance and not used in operations as of December 31, 2022 and 2021.

Fundraising revenue

IYSA recognizes revenue from various fundraising activities at the time that the event occurs. The revenue from special events is recognized at the fair value of the direct benefits to donors, and contribution income for the excess received when the event takes place.

Exchange transactions

In addition, In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers Topic (606)*. This ASU, which IYSA has adopted in the year ended December 31, 2020, supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principles of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies(continued)

Revenue recognition (continued)

Exchange transactions (continued)

IYSA recognizes revenue for membership dues, which are nonrefundable. The member dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. IYSA recognizes the exchange portion of the membership dues over the membership period (calendar year), and the contribution portion immediately. As of December 31, 2022 and 2021, there were no member dues included in deferred dues revenue.

Services revenue is recorded in the month that the services were provided to the recipient. Amounts collected in advance are recorded as deferred revenue until the period that the service is provided. All the revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Program services

The following program services are included in the financial statements:

Safe Place Program

This program is funded by the Indiana Department of Child Services (DCS) and the Indiana Family and Social Services Administration (FSSA). This is a cost reimbursement program that covers various costs including outreach, crisis intervention, and training as it relates to providing youth immediate safety and access to resources for various needs, including suicide prevention. IYSA provides the administrative function for this program for the youth-serving host agencies. The youth-serving host agencies currently provide services under this program.

Youth Service Bureau Fund

The purpose of this contract is to provide administrative oversight of the Youth Service Bureau Fund on behalf of the DCS. IYSA provides peer reviews, provisional contract follow-up, quarterly report processing, monthly claims approval, and quarterly trainings.

Making Good Decisions

The Making Good Decisions program educates teens and young adults on the dangers of underage drinking and destructive behaviors.

Mission Management Services

Mission Management Services provides consulting and bookkeeping services to organizations based on hourly and contract rates.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies(continued)

Program services (continued)

Victims of Crime Acts (VOCA)/Indiana Trafficking Victims Assistance Program

The Indiana Trafficking Victims Assistance Program works to identify and provide comprehensive services to victims (24 and under) of trafficking or sexual exploitation. Within each of the ten regions, victim services networks will be identified or established to appropriately respond to trafficked victims and/or make appropriate referrals to services, benefits and programs for which they are eligible. ITVAP will partner with existing IPATH task forces, the Indiana State Police, the 29 youth services bureaus and 17 current Safe Place programs across the state to strengthen services already available and work to establish a network of services where none currently exists.

The Journey

The Journey network has over 1,000 Youth Workers consisting of students, new professionals and executives. The Journey is a collection of programs committed to equipping people to lead with their hearts by: 1) Grounding people in who they are – the essence of their heart, their vocation and avocation; 2) Connecting people to each other – tapping into the power of community; and 3) Inspiring people’s beliefs about what they can accomplish on behalf of young people. The Journey has helped encourage more professionals to join and stay in the youth development field. This program is being funded by Lilly Endowment as described in Note 6 below.

ACES Indiana Coalition

The ACEs Indiana Coalition is dedicated to growing awareness on Adverse Childhood Experiences and building self-healing communities. Funding is through a grant with the Indiana State Department of Health as described in Note 6 below.

CYC Certification

The CYC certification is a national credential for child and youth care work practitioners. It is based on a three-tiered system beginning with Entry Level and includes Associate and Professional Levels. CYC certification allows practitioners to demonstrate their development as professionals and participate in true career development. This program is being funded through a contract with the Indiana Department of Education as described in Note 6 below.

Use of estimates

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

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies(continued)

Functional allocation of expenses

The direct costs of providing various programs of IYSA have been allocated on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between programming, general and administrative and fundraising in the statement of activities. The allocations have been determined by management on an equitable basis.

Tax Status

IYSA has been determined to be exempt from state and federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. IYSA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

There were no payments for penalties and interest related to taxes during the years ended December 31, 2022 and 2021.

Concentration of credit risk

Operations

IYSA's members are located in the state of Indiana.

IYSA receives contract revenue from the State of Indiana, Department of Child Services under the YSB Services and the Project Safe Place Services, Indiana State Department of Health, and the Indiana State Department of Education. Revenue directly from the State of Indiana represented 68% and 61% of total revenue for the year ended December 31, 2022 and 2021, respectively. In addition, IYSA received 20% and 25% of the total revenue from the Indiana Criminal Justice Institute under the VOCA grant for the years ended December 31, 2022 and 2021, respectively.

Cash in excess of FDIC guarantees

Throughout the year ended December 31, 2022 and 2021 amounts held in financial institutions exceed the FDIC guarantee at various times. As of December 31, 2022 and 2021, approximately \$718,000 and \$111,000 in one institution exceeded the FDIC guarantee.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, IYSA considers all liquid investments with a maturity of three months or less from the date of original purchase to be cash equivalents, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies (continued)

Accounts and grants receivable

Accounts receivable and grants receivable consist of amounts due from customers for past services or amounts pledged for a future period. Management reviews all receivables on a regular basis to determine collectability. Amounts deemed uncollectible are written off using the direct method, and as such, an allowance has not been set up. Management does not believe using the allowance method would result in a significant difference over the use of the direct write-off method. The majority of the outstanding accounts and grants receivable as December 31, 2022 have been collected as of the date of this report letter.

Equipment

Equipment is recorded at cost at the date of purchase. Depreciation is calculated using the straight-line method over estimated useful lives of five to ten years. IYSA's policy is to capitalize amounts over \$1,000 with useful lives of more than one year. Repairs and maintenance items that do not increase the useful lives of the assets are charged to change in net assets as incurred.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the United States of America establishes a fair value hierarchy that prioritizes investments based on those assumptions

Financial Accounting Standards Board (FASB) Accounting, Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides 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).

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(2) Summary of significant accounting policies (continued)

Fair value measurements (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

Leases

Effective January 1, 2022, IYSA adopted Accounting Standards Update (ASU) 2016-02 Leases, which hereinafter will be referred to as "ASC Topic 842", using the permitted modified retrospective method. The standard provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes previous GAAP guidance on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease liabilities, as well as additional disclosures (see note 7). Upon adoption, IYSA recognized right-of-use assets and lease liabilities of \$157,389. Management has analyzed the provisions contained in ASC Topic 842 and determined that there is no impact on retained earnings as of January 1, 2022, due to the adoption of the new policy.

(3) Investments/Endowment fund

During 2003, IYSA was the recipient of a donor designated endowment fund in the amount of \$50,000. The purpose of the endowment, designated as the Indiana Youth Services Association, Inc. Endowment Fund (the Fund), is to assist IYSA in carrying out its role and mission. The Fund is being administered and governed by the Central Indiana Community Foundation, Inc. (CICF). Annually, IYSA can receive a portion of the fair market value of the Fund as of the end of the previous calendar year in accordance with the spending policies adopted by the Board of Directors of CICF. The amount available for distribution to IYSA in 2021 and 2020 is 5.0% of the fair market value less any carryover spendable amount as of the end of the year is available for distribution to IYSA.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(3) Investments/Endowment fund

The Fund is presented in the Statement of Financial Position as of December 31, 2022 and 2021 as follows:

	2022	2021
Net assets without donor restrictions	\$ 22,707	\$ 36,630
Net assets with donor restrictions of time or purpose	0	0
Net assets with donor restrictions in perpetuity	50,000	50,000
	\$ 72,707	\$ 86,630

Donations to these funds are permanently endowed. Annually, the Foundation will allow a portion of the earnings to be returned IYSA in the form of a grant. If these earnings are not taken by IYSA, they are reinvested in the endowment funds and become permanently restricted. Amounts available to be returned to IYSA during 2022 and 2021 included \$4,331 and \$3,581 representing amounts earned prior to 2022. Approximately \$3,600 was available to be distributed in 2023, based on the December 31, 2022 fair value of the funds.

The reconciliation of the level 3 assets for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance beginning of year	\$ 86,630	\$ 71,624
Earnings on Investments	(8,814)	19,347
Distributions	(4,331)	(3,581)
Investment management fees	(778)	(760)
	\$ 72,707	\$ 86,630

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(3) Investments/Endowment fund (continued)

IYSA maintains investments at Raymond James Securities, through Yellow Cardinal Brokerage Services. These investments are recorded at fair market value. The investments consist of the following as of December 31, 2022 and 2021:

<u>Mutual Funds Held</u>	2022			
	Shares Held	Fair Value	Cost	Realized Gain
American Funds AMCAP Fund Class F1/F2	352.000	\$ 10,736	\$ 11,877	\$ (1,141)
Artisan International Fund (class N/L)	151.758	3,610	3,488	123
Fundamental Investors Fund Class F1/F2	440.177	26,503	23,290	3,214
Janus Henderson (fka Perkins) Mid Cap Value Fund Class A	1,759.477	26,023	28,880	(2,857)
New Perspective Fund Class F1/F2	534.609	25,175	21,341	3,833
Prudential Jennison Mid Cap Growth Fund Class Z	852.801	14,626	23,576	(8,951)
T. Rowe Price Small Cap Value Fund Advisor Class	247.974	11,878	10,610	1,268
Allspring Discovery Large Cap Growth Fund Class 1 (Wells Fargo Advantage Endeavor Select Fund)	1,894.492	14,171	14,457	(286)
Allspring International Equity Fund Class 1 (Wells Fargo International Equity Fund Class 1)	188.077	2,091	2,703	(612)
		0	0	0
Total mutual funds held at Raymond James		\$ 134,812	\$ 140,222	\$ (5,410)
Uninvested cash		678	678	0
Total investments held at Raymond James		\$ 135,490	\$ 140,900	\$ (5,410)

The fair values of all investments held by IYSA measured on a recurring basis as of December 31, 2022 and 2021 are as follows:

<u>Mutual Funds Held</u>	2021			
	Shares Held	Fair Value	Cost	Realized Gain
American Funds AMCAP Fund Class F1/F2	327.325	\$ 15,044	\$ 11,135	\$ 3,909
Artisan International Fund (class N/L)	218.740	6,639	5,391	1,246
Fundamental Investors Fund Class F1/F2	418.082	31,737	21,957	9,780
Janus Henderson (fka Perkins) Mid Cap Value Fund Class A	1,650.788	27,403	27,287	116
New Perspective Fund Class F1/F2	512.344	33,876	20,275	13,601
Prudential Jennison Mid Cap Growth Fund Class Z	647.474	14,769	18,950	(4,182)
T. Rowe Price Small Cap Value Fund Advisor Class	236.001	14,583	10,013	4,570
Allspring Endeavor Select Fund (Wells Fargo Advantage Endeavor Select Fund Admin Class)	1,705.025	21,756	13,000	8,756
Allspring International Equity Fund Class 1 (Wells Fargo International Equity Fund Class 1)	183.238	2,358	2,650	(292)
Total mutual funds held at Raymond James		\$ 168,164	\$ 130,658	\$ 37,505
Uninvested cash		209	209	0
Total investments held at Raymond James		\$ 168,373	\$ 130,867	\$ 37,505

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(3) Investments/Endowment fund

Investment income from all investments consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 14,788	\$ 15,192
Net realized and unrealized gain on investments	<u>(52,507)</u>	<u>27,466</u>
Net investment revenue	<u>\$ (37,720)</u>	<u>\$ 42,658</u>

(4) Equipment

Equipment consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 22,781	\$ 22,781
less accumulated depreciation	<u>22,079</u>	<u>21,056</u>
Furniture and equipment, net	<u>\$ 702</u>	<u>\$ 1,725</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$1,023 and \$1,016 respectively.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(5) Availability and liquidity

The following represents IYSA's financial assets as of December 31, 2022 and 2021:

Financial assets at year end:		2022	2021
Cash and cash equivalents	\$	983,449	\$ 386,585
Accounts receivable		57,101	23,311
Grants receivable		613,234	713,285
Certificates of deposit		0	600,000
Investments		134,812	168,164
Total financial assets		<u>1,788,596</u>	<u>1,891,345</u>
Less amounts received for future periods:			
Deferred revenue		842,777	1,010,817
		<u>842,777</u>	<u>1,010,817</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>945,819</u>	<u>\$ 880,528</u>

As discussed in note 6, IYSA has received grants to help fund various programs throughout 2023. In addition, as discussed in note 10, IYSA has a line of credit of and short-term borrowing in the amount of \$250,000 available to help fund any shortages in the financial assets.

(6) Grants and contracts

IYSA was the recipient of a grant through the Indiana Criminal Justice Institute under the Victims of Crime Act (VOCA) program, CFDA number 16.575. The grant ran for the period October 1, 2020 through September 30, 2022. Amounts billed under this grant totaled \$1,048,027 and \$978,098 for the years ended December 31, 2022 and 2021, respectively. Included in accounts receivable as of December 31, 2022 and 2021 is \$117,048 and \$430,365 for services rendered under the grant. The grant was renewed for the period October 1, 2022 through September 30, 2024 in the amount of \$1,767,754. In addition, IYSA received supplemental funding for the period October 1, 2022 through September 30, 2023 in the amount of \$182,542. As part of the VOCA grant, IYSA claimed in kind expenses of payroll and benefits totaling \$23,324 and consultants' fees of \$46,176 in 2021. In kind donations were discontinued under the prior contract.

For the year ended December 31, 2022 and 2021, IYSA billed the state of Indiana \$1,423,044 and \$1,435,626 for services related to the Youth Service Bureau contract, as described in Note 9 below. Included in accounts receivable is \$225,049 and \$198,982 for services provided prior to December 31, 2022 and 2021, respectively. Amounts paid out to participating agencies totaled \$1,177,501 and \$1,179,252 for the years ended December 31, 2022 and 2021. Included in accounts payable due to these agencies, as of December 31, 2022 and 2021 is \$188,919 and \$181,158. This contract was renewed through June 30, 2025.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(6) Grants and contracts (continued)

IYSA is the recipient of a \$1,254,025 grant from Lilly Endowment to fund the Youth Professionals Journey Fellowship Program for each year ended December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, \$709,033 and \$634,863 was recognized as contract revenue. As of December 31, 2022 and 2021, \$806,182 and \$760,817 of unused dollars were recorded as deferred revenue. IYSA has received funding in the amount of \$790,549 toward 2023 programming through a Reimagining grant. This funding is included in the unused dollars listed above.

IYSA is the recipient of a grant from the Office of Justice Programs under the Integrated Services for Minor Victims of Human Trafficking (U.S. Department of Justice, CFDA Number 16.320-Services For Trafficking Victims) (OVC Grant) in the amount of \$500,000. The grant runs from October 1, 2019 through September 30, 2023. Amounts billed under this grant total \$192,447 and \$118,849 for the years ended December 31, 2022 and 2021 and \$16,905 and \$11,603 is included in grants receivable at December 31, 2022 and 2021.

IYSA entered into a grant with the Indiana State Department of Health which awarded \$200,000 under the Maternal and Child Health Services Grant (U.S. Health and Human Services, CFDA Number 93.994) for the period February 1, 2021 through January 31, 2022, and renewed through January 31, 2023. Total billed and recognized as grant revenue for the year ended December 31, 2022 and 2021 was \$210,964 and \$129,826. Amounts billed and unpaid as of December 31, 2022 and 2021 total \$71,380 and \$46,968, and are included in grants receivable.

ISYA entered into a contract with the Indiana Department of Education in the amount of \$371,234 for the period January 1, 2020 through December 31, 2021. This contract was amended to add \$518,700 for the period January 1, 2021 through December 31, 2022. This contract is to administer the assessment for the Child and Youth Care (CYC) Credential. For the years ended December 31, 2022 and 2021, amounts recognized as revenue and included in contract revenue totaled \$590,798 and \$185,342, respectively. Included in grants receivable as of December 31, 2022 and 2021 totaled \$84,176 and \$46,968. The contract has been amended to award an additional \$1,373,102 for the years 2023 and 2024.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(7) Operating Leases

IYSA leases its office space and equipment under operating leases. Lease payments for the years ending December 31, 2022 and 2021 were \$39,232 and \$24,953. Beginning May 1, 2021, a lease with an unrelated party was entered into over a sixty-five (65) month period, expiring in September 2026. Monthly rent begins at \$5,875 in month 6 of the agreement, with increases annually through the rest of the lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees.

IYSA have elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g., maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate, or an index are expensed as incurred.

IYSA determines if an arrangement is or contains a lease at contract inception. IYSA recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how IYSA determines the discount rate, the lease term, and the lease payments. When the discount rate implicit in a lease is not readily determinable, the Companies calculate the lease liability using the risk-free rate.

The following summarizes the operating lease as of December 31, 2022:

Right of Use Asset	\$	157,389
less accumulated amortization		<u>32,794</u>
Right of Use Asset, net of amortization	\$	<u><u>124,595</u></u>

The amounts contractually due on lease liabilities were as follows as at December 31, 2022:

Lease liability	\$	138,875
less amount representing imputed interest		<u>14,280</u>
Right of Use Asset, net of amortization	\$	<u><u>124,595</u></u>

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(7) Operating Leases (continued)

The following summarizes the line item in the income statement which include the components of lease expense for the year ended December 31, 2022.

Operating lease expense - operating expense	\$ 34,923
Variable lease expense - operating expense	789
	<u>35,712</u>
Other operating leases	<u>3,480</u>
Lease expense	<u><u>39,192</u></u>

Supplemental balance sheet information related to leases as of December 31, 2022 is as follows:

Weighted average remaining lease term – Operating lease	4.0
Weight average discount rate – Operating lease	.5%

The net future minimum lease payments for the next 5 years are as follows:

Year ended December 31, 2023	\$ 36,515
2024	37,339
2025	38,180
2026	32,470
2027	<u>0</u>
Total	<u><u>\$ 144,504</u></u>

(8) Retirement Plan

IYSA provides for payment into a SIMPLE IRA plan for all full-time employees, who meet the minimum age and service requirements, with a contribution of 5% of each eligible employee's compensation. Total expenses for the years ended December 31, 2022 and 2021 were \$76,118 and \$73,969, respectively. As of December 31, 2022 and 2021, \$6,453 and \$6,849, respectively, have been set up as employer retirement contributions payable.

(9) Commitments

IYSA entered into a contract with the Indiana Department of Child Services to provide YSB Administration Services and PSP Administration Services (Project Safe Place) to all participating agencies in the State of Indiana. The contract for the period ended June 30, 2022 totaled \$1,415,699 and was renewed for the same funding levels for the years ending June 30, 2023. Amounts recognized in 2022 and 2021 under this contract totaled \$1,423,044 and \$1,435,626, respectively. Amounts still available under this contract as of December 31, 2022 total \$619,327 available to the YSBs and \$56,000 for administering the contract.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(10) Line of Credit/Short term borrowing

IYSA has two lines of credit. The first is in the amount of \$100,000 and currently expires in May 2023. Interest on this loan is prime rate plus 1.75% (9.25% as of December 31, 2022). This loan is secured by the assets of IYSA. The balance of this line of credit is \$0 and \$93,174 as of December 31, 2022 and 2021. The second line of credit is in the amount of \$150,000 which matures in May 2023. The line of credit is secured by the business assets of IYSA. Interest is at Prime plus one (1) percent and is a floating rate. The current interest rate as of December 31, 2022 was 8.5%. The balance of this loan as of December 31, 2022 and 2021 was \$106,000 and \$149,526.

(11) Subsequent events

Subsequent events have been evaluated as of the date of the report letter, the date the financial statements were available for release.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2022

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
<u>Major Program</u>			
U.S. Department of Justice			
Pass through from Indiana Criminal Justice			
Institute			
Victims of Crime Acts (VOCA)	16.575	\$ <u>1,048,027</u>	\$ <u>0</u>
<u>Nonmajor Program</u>			
U.S. Department of Justice, Office for Civil Rights,			
Office of Justice Programs, Office for Victims of Crime,			
Services for Trafficking Victims			
	16.320	192,447	\$ <u>0</u>
U.S. Department of Health and Human Services,			
Health Resources and Services Administration, Maternal			
and Child Health Services Block Grant to the States, pass			
through from Indiana State Department of Health			
	93.994	<u>210,964</u>	\$ <u>0</u>
Total funding for all programs		<u>\$1,451,438</u>	\$ <u>0</u>

Note 1-Basis Presentation

This schedule of expenditures of federal awards includes the federal grant activity of IYSA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2-De Minimis

IYSA has elected to not use the ten (10) percent de Minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance for Federal Awards.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Indiana Youth Services Association, Inc.
Indianapolis, IN

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States financial statements of Indiana Youth Services Association, Inc., (IYSA), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and cash flows for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon September 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IYSA'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 IYSA's internal control. Accordingly, we do not express an opinion on the effectiveness of IYSA'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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether IYSA'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 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*.

Purpose of this Report

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

Humphrey CPA Group, L.L.C.

Indianapolis, Indiana
September 6, 2023



Humphrey CPA Group, L.L.C.

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5915 S. Emerson Avenue, Ste 400
Indianapolis, IN 46237

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

Board of Directors
Indiana Youth Services Association, Inc,
Indianapolis, IN

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited Indiana Youth Services Association, Inc.'s (IYSA) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of IYSA's major federal programs for the year ended December 31, 2022. IYSA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of IYSA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of IYSA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to IYSA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on IYSA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about IYSA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding IYSA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of IYSA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of IYSA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Humphrey CPA Group, L.L.C.

Indianapolis, Indiana
September 6, 2023

INDIANA YOUTH SERVICES ASSOCIATION, INC.
FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

No material weaknesses were identified
No significant deficiencies were identified.

No instances of noncompliance material to the financial statements were noted.

Federal Awards

Internal control over major programs:

No material weaknesses were identified
No significant deficiencies were identified.

Type of auditor's report issued on compliance for
Major programs:

UNMODIFIED

No audit findings were disclosed that are required to be reported in accordance with Section 2 CFS 200.516(a).

Identification of major programs:

CFDA Number 16.575 Victim of Crime Act (VOCA)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

The auditee qualifies as a low-risk auditee.

Section II - Financial Statement Findings

No findings were identified.

Section III - Federal Award Findings and Questioned Costs

No findings were identified.