

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Youth and Shelter Services, Inc.
Ames, Iowa 50010

We have audited the accompanying consolidated statement of financial position of Youth and Shelter Services, Inc., and affiliate as of June 30, 2004 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2003 financial statements and, in our report dated August 29, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Youth and Shelter Services Foundation, Inc. (the affiliate) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Youth and Shelter Services, Inc., and affiliate at June 30, 2004 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2004, on our consideration of Youth and Shelter Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Youth and Shelter Services, Inc., taken as a whole. The information included in the accompanying schedules of Fees and Grants from Governmental Agencies, and Schedules of Selected Contract Revenue and Expenses – Contract Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Peterson & Houston, P.C.
Boone, Iowa

August 26, 2004

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2004
(With Comparative Totals For June 30, 2003)

	2004	2003
ASSETS		
Cash	\$ 52,937	\$ 44,052
Investments	591,726	702,730
Receivables		
Grants	465,033	409,765
Program service fees, less allowance for doubtful accounts of \$34,000 in 2004 and \$25,000 in 2003	278,410	277,829
Miscellaneous	3,117	21,216
Unconditional promises to give	-	1,005
Prepaid expenses	8,751	18,760
Cash surrender value of life insurance	52,849	31,872
Cash surrender value of life insurance - Foundation	30,548	22,629
Cash and investments restricted for YSS Foundation	1,661,139	1,496,978
Land	413,542	413,542
Property and equipment, less accumulated depreciation	1,844,147	1,836,273
Total Assets	\$ 5,402,199	\$ 5,276,651

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2004
(With Comparative Totals For June 30, 2003)

	2004	2003
LIABILITIES		
Grant advances	\$ 89,432	\$ 48,099
Deferred revenue	8,593	3,125
Client accounts	19,701	13,020
Accrued expenses		
Employee benefit plan	12,796	13,116
Vacation and holiday pay	243,612	230,216
Estimated state unemployment liability	630,499	597,599
Annuities Payable - Foundation	62,000	65,000
Total Liabilities	1,066,633	970,175
INTERFUND BORROWINGS		
Due to general fund	(3,081)	1,106
Due to building fund	5,209	3,092
Due (from) specified fund	(2,128)	(4,163)
Due (from) W/C and OTS funds	-	(35)
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	2,655,898	2,783,342
Temporarily restricted	1,679,668	1,523,134
Total Net Assets	4,335,566	4,306,476
Total Liabilities and Net Assets	\$ 5,402,199	\$ 5,276,651

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)

	Unrestricted	Temporarily Restricted	2004 Total	2003 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ 70,426	\$ 70,426	\$ 59,539
Grants	261,798	-	261,798	236,331
United Way	280,857	-	280,857	271,584
Fees and grants from Governmental Agencies	4,400,572	-	4,400,572	4,139,561
Program Service Fees	2,817,762	-	2,817,762	2,824,611
Investment return	17,136	-	17,136	16,337
Miscellaneous revenue	5,390	-	5,390	-
Youth & Shelter Services Foundation revenues	-	531,615	531,615	294,877
Net assets released from restrictions				
Restrictions satisfied by payments	445,507	(445,507)	-	-
Total Revenues and Other Support	8,229,022	156,534	8,385,556	7,842,840
EXPENSES				
Program Services				
Lighthouse/HUD Program	186,637	-	186,637	183,232
Family Foster Care	93,747	-	93,747	96,611
Family Counseling Center	248,005	-	248,005	227,721
Adoption	55,332	-	55,332	61,828
Rosedale Shelter House	542,257	-	542,257	531,711
Chemical Dependency Services - Residential	1,256,914	-	1,256,914	1,603,010
Chemical Dependency Services - Outpatient	315,747	-	315,747	-
Pre-Natal Care Boone	50,626	-	50,626	43,642
Substance Abuse Prevention	282,796	-	282,796	191,414
Community Youth & Family Development	77,175	-	77,175	152,448
Young Parents	359,053	-	359,053	340,960
YSS of Eastern Story County	62,008	-	62,008	54,179
YSS of Boone County	184,633	-	184,633	119,376
Hamilton County Youth & Family Center	335,935	-	335,935	287,718
Runaway Homeless Youth Project	43,149	-	43,149	43,272
YSS of Marshall County	501,479	-	501,479	489,345
Iowa Homeless Youth Center	977,911	-	977,911	821,312
Story Afterschool	244,903	-	244,903	219,826
Boone Afterschool	54,674	-	54,674	61,083
Marshall Afterschool	18,838	-	18,838	-
Youth Employment	19,379	-	19,379	17,828
Transitional Living/Independent Living Project	226,555	-	226,555	215,696
Family Futures	-	-	-	54,830
Story Mentoring & Grip	52,305	-	52,305	54,390
Boone Mentoring & Grip	44,643	-	44,643	58,063
Passages	93,731	-	93,731	90,272
Tobacco	72,135	-	72,135	60,008
HIV/Aids	30,298	-	30,298	27,564
Story County Healthy Futures	91,545	-	91,545	135,585
Iowa Aftercare Services	449,507	-	449,507	461,920
Rural Youth Mentoring	190,142	-	190,142	80,650
Risky Business Conference	42,849	-	42,849	43,325
YSS Foundation	123,140	-	123,140	49,399
Safe Community	-	-	-	20,875
Supporting Services				
General and Administrative	857,520	-	857,520	763,482
Fund Raising	170,898	-	170,898	174,370
Total Expenses	8,356,466	-	8,356,466	7,836,945
Increase (Decrease) in Net Assets	(127,444)	156,534	29,090	5,895
Net Assets at Beginning of Year	2,783,342	1,523,134	4,306,476	4,300,581
Net Assets at End of Year	\$ 2,655,898	\$ 1,679,668	\$ 4,335,566	\$ 4,306,476

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004 (With Comparative Totals for Year Ended June 30, 2003)

	Lighthouse HUD Program	Family Foster Care	Family Counseling Center	Adoption	Rosedale Shelter House	Chemical Dependency Services Residential	Chemical Dependency Services Outpatient	Story Afterschool	Boone Afterschool	Marshall Afterschool	Transitional Living/ Independent Living Project	Youth Employment	Story Mentoring & Grip	Boone Mentoring & Grip	Passages	Tobacco	HIV/Aids
Compensation and Related Expenses	\$ 91,056	\$ 53,344	\$ 141,985	\$ 39,767	\$ 337,864	\$ 774,105	\$ 205,808	\$ 155,636	\$ 36,699	\$ 15,358	\$ 99,236	\$ 13,156	\$ 39,331	\$ 31,364	\$ 52,576	\$ 37,373	\$ 21,369
Compensation																	
Employee benefits																	
Medical	9,916	7,025	17,378	3,175	33,626	59,841	20,689	5,790	2,340	-	9,367	-	735	833	5,865	3,965	555
Other	4,484	3,230	7,657	1,472	15,048	33,512	10,044	6,281	1,550	-	5,189	236	1,040	953	2,795	1,620	1,370
Payroll taxes	6,971	4,765	12,323	3,309	28,615	61,853	19,620	13,915	3,293	1,202	7,170	1,169	2,297	2,917	4,531	3,326	1,554
Total Compensation and Related Expenses	112,427	68,364	179,343	47,723	415,153	929,311	256,161	181,622	43,882	16,560	120,962	14,561	43,403	36,067	65,767	46,284	24,848
Conferences	734	905	1,656	374	668	2,408	819	830	157	10	1,131	23	282	631	185	803	165
Dues	-	261	660	126	1,465	8,252	827	709	209	-	-	164	190	190	261	-	-
Food	-	-	-	-	29,089	41,228	-	10,157	2,227	302	-	-	-	-	2,869	-	-
Insurance																	
Property	211	255	2,212	240	860	1,864	458	622	124	167	659	39	116	109	504	152	-
Other	409	279	695	132	1,534	6,674	865	922	198	-	648	65	199	199	271	-	-
Workmans comp	1,111	831	2,200	394	3,966	7,317	2,419	2,161	392	-	1,232	261	990	348	684	322	101
Maintenance & repair	859	904	4,391	303	11,265	9,588	3,169	3,130	578	151	1,332	80	348	320	920	280	-
Miscellaneous	1,437	1,423	1,441	197	2,405	10,378	1,280	1,957	278	-	1,740	74	469	249	339	-	-
Occupancy																	
Rent	33,484	-	-	-	-	-	19,200	-	-	-	55,270	-	-	1,260	-	-	-
Utilities	11,105	267	2,424	122	11,498	21,135	1,685	-	-	-	13,950	90	-	-	581	-	985
Repairs & maintenance	3,751	522	4,923	319	12,549	31,407	1,409	-	-	-	3,683	-	-	-	1,020	-	-
Postage	1,184	152	667	120	1,474	4,472	821	636	213	-	507	131	194	213	260	770	74
Printing	199	203	662	73	1,426	2,849	-	324	70	-	617	17	1,376	380	224	1,762	636
Professional fees	1,980	359	15,853	162	2,646	61,045	4,422	13,056	290	-	6,174	87	732	1,795	7,200	9,675	-
Public relations	-	-	16	-	-	-	-	-	-	-	-	-	-	-	-	5,666	-
Specific assistance	2,175	6,682	-	1	1,153	2,530	615	248	-	-	6,969	-	-	-	-	-	-
Subscriptions	180	11	51	5	53	-	-	27	5	-	27	-	5	5	11	162	-
Activities & Supplies	1,667	47	1,789	21	8,093	13,110	98	16,841	4,143	972	3,300	3,025	700	622	61	3,952	1,506
Office supplies	1,207	503	1,506	186	2,824	7,884	1,089	1,145	235	142	693	69	1,048	212	309	453	-
Telephone	4,494	3,293	7,746	1,416	7,752	24,192	6,903	4,870	780	106	2,965	195	1,333	410	1,796	872	462
Travel & transportation	2,519	6,684	9,463	3,033	2,476	10,115	1,709	5,646	893	428	4,544	498	-	1,633	7,711	982	1,052
Uncollectible fees	-	-	-	-	4,925	36,040	5,907	-	-	-	-	-	502	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	5,504	1,802	10,307	385	18,983	25,115	5,891	-	-	-	152	-	418	-	2,758	-	469
Totals	\$ 186,637	\$ 93,747	\$ 248,005	\$ 55,332	\$ 542,257	\$ 1,256,914	\$ 315,747	\$ 244,903	\$ 54,674	\$ 18,838	\$ 226,555	\$ 19,379	\$ 52,305	\$ 44,643	\$ 93,731	\$ 72,135	\$ 30,298

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004 (With Comparative Totals for Year Ended June 30, 2003)

Pre-Natal Care Boone	Substance Abuse Prevention	Community Youth & Family Development	Young Parents	YSS of Eastern Story County	YSS of Boone County	Hamilton Co. Youth & Family Center	Runaway Homeless Youth Project	YSS of Marshall County	Iowa Homeless Youth Center	Story County Healthy Futures	Iowa Aftercare Services	Rural Youth Mentoring	Risky Business Conference	YSS Foundation	Total Program	General and Administrative	Fund Raising	2004 Total Program and Support Service Expenses	2003 Totals	
\$ 29,131	\$ 176,671	\$ 44,713	\$ 192,710	\$ 37,900	\$ 110,528	\$ 222,597	\$ 18,252	\$ 250,708	\$ 505,385	\$ 23,038	\$ -	\$ 134,726	\$ 5,022	\$ 39,362	\$ 3,936,770	\$ 561,191	\$ 125,977	\$ 4,623,938	\$ 4,455,275	
3,204	14,326	2,132	14,378	3,405	9,170	23,726	3,374	25,167	53,315	3,997	-	13,392	-	-	350,686	26,836	9,209	386,731	387,540	
1,405	5,186	1,620	8,712	1,550	4,371	10,007	2,311	12,442	21,087	-	-	6,528	-	2,947	174,647	22,438	12,170	209,255	205,418	
2,552	14,986	2,995	15,071	3,852	8,921	19,023	998	20,265	49,580	1,733	-	11,377	248	2,942	333,373	56,261	11,511	401,145	346,353	
36,292	211,169	51,460	230,871	46,707	132,990	275,353	24,935	308,582	629,367	28,768	-	166,023	5,270	45,251	4,795,476	666,726	158,867	5,621,069	5,394,586	
376	8,294	1,307	1,444	325	263	473	904	2,698	3,076	-	-	1,169	385	-	32,495	3,756	-	36,251	39,659	
190	675	502	1,104	377	377	869	-	1,355	2,554	-	-	744	-	620	22,681	2,354	-	25,035	19,901	
-	-	-	-	-	-	-	-	123	1,846	-	-	273	4,716	-	92,830	-	-	92,830	92,114	
108	874	991	2,290	363	224	511	-	766	3,341	-	-	432	-	-	18,492	4,937	-	23,429	21,354	
199	720	524	1,046	181	380	911	361	1,651	2,837	-	-	775	-	-	22,675	2,992	-	25,667	25,535	
338	1,339	-	2,491	422	1,077	2,568	590	2,240	7,303	-	-	-	2,258	-	45,355	5,438	-	50,793	59,260	
213	7,075	1,818	3,332	1,276	4,300	5,070	-	9,012	14,345	-	-	2,743	-	645	87,447	26,178	-	113,625	58,538	
-	917	1,067	1,847	325	1,156	1,813	343	9,299	9,950	690	-	960	581	19,568	72,183	13,635	-	85,818	49,841	
-	-	-	6,211	-	4,800	-	1,200	36,495	79,153	-	-	-	12,084	-	249,157	-	-	249,157	227,224	
-	967	1,090	1,870	247	484	2,133	-	11,531	21,272	-	-	-	-	-	103,436	7,449	-	110,885	98,524	
-	2,019	2,126	4,423	2,291	-	965	-	9,000	14,522	-	-	-	-	-	94,929	20,960	-	115,889	101,370	
186	1,229	501	1,202	355	1,137	2,131	223	3,409	4,790	304	-	779	1,087	429	29,650	2,608	-	32,258	36,846	
107	701	396	1,337	1,806	2,667	2,333	975	7,234	9,199	-	-	1,498	7,831	38,183	85,085	1,376	12,031	98,492	69,856	
9,999	15,711	868	51,904	243	19,876	5,183	11,847	15,680	29,193	57,311	449,507	7,005	5,132	1,868	806,803	9,399	-	816,202	779,922	
-	-	7,793	-	-	-	-	-	89	205	-	-	-	621	8,627	23,017	-	-	23,017	28,092	
-	398	-	12,563	-	-	150	-	13,744	27,484	-	-	-	-	4,970	79,682	-	-	79,682	93,785	
5	27	16	37	5	16	32	48	232	90	-	-	27	-	-	1,077	181	-	1,258	1,901	
329	5,075	199	2,139	27	1,424	938	-	11,625	23,285	-	-	81	-	-	105,069	2,501	-	107,570	92,533	
507	800	563	1,107	303	1,701	1,927	270	4,687	8,133	357	-	1,041	1,065	-	41,966	4,477	-	46,443	49,106	
965	2,957	1,363	9,976	3,856	5,249	7,014	1,326	12,645	40,369	-	-	2,745	-	2,979	161,029	17,444	-	178,473	121,656	
812	12,859	393	13,539	1,794	2,142	19,472	127	33,774	23,005	-	-	3,436	915	-	171,654	17,044	-	188,698	168,257	
-	-	-	-	-	286	771	-	869	-	317	-	-	-	-	49,617	-	-	49,617	14,783	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	8,990	4,198	8,320	1,105	4,084	5,318	-	4,739	22,592	3,798	-	411	904	-	136,243	48,065	-	184,308	192,302	
\$ 50,626	\$ 282,796	\$ 77,175	\$ 359,053	\$ 62,008	\$ 184,633	\$ 335,935	\$ 43,149	\$ 501,479	\$ 977,911	\$ 91,545	\$ 449,507	\$ 190,142	\$ 42,849	\$ 123,140	\$ 7,328,048	\$ 857,520	\$ 170,898	\$ 8,356,466	\$ 7,836,945	

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
(With Comparative Totals for 2003)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 29,090	\$ 5,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	184,308	192,302
Unrealized (gain) loss on investments	(12,839)	(12,652)
(Increase) Decrease in operating assets		
Unconditional promises to give	1,005	6,020
Grants receivable	(55,268)	28,899
Program service fees receivable	(581)	136,234
Miscellaneous receivables	18,099	(4,955)
Prepaid expenses	10,009	(17,520)
Increase (Decrease) in operating liabilities		
Accounts payable	-	(73,620)
Annuities payable	(3,000)	6,277
Grant advances	41,333	3,351
Deferred revenue	5,468	(3,867)
Client accounts	6,681	5,815
Accrued employee benefit plan	(320)	(6,379)
Accrued vacation and holiday pay	13,396	(24,114)
Accrued estimated state unemployment liability	32,900	(28,167)
Restricted contributions	(70,426)	(59,539)
Net Cash Provided by Operating Activities	199,855	153,980
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	123,843	(69,548)
(Purchases) sales of investments restricted to YSS Foundation, net	(164,161)	(39,004)
Payments for property and equipment	(192,182)	(77,824)
Increase in cash surrender value of life insurance	(28,896)	(12,104)
Net Cash (Used) by Investing Activities	(261,396)	(198,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	-	(7,450)
Specified donations collections	70,426	59,539
Net Cash Provided by Financing Activities	70,426	52,089
Net Decrease in Cash and Cash Equivalents	8,885	7,589
Cash and Cash Equivalents at Beginning of Year	44,052	36,463
Cash and Cash Equivalents at End of Year	\$ 52,937	\$ 44,052

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies.

a. Nature of Activities. Youth and Shelter Services, Inc., is a nonprofit corporation organized to provide various services to youth including transitional housing for the homeless, residential treatment, counseling and substitute family life under supervised living conditions.

b. Basis of Accounting. The financial statements of Youth and Shelter Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

c. Basis of Presentation. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

d. Principles of Consolidation. The consolidated financial statements include the accounts of Youth and Shelter Services, Inc. and Youth and Shelter Services Foundation, Inc. Youth and Shelter Services Foundation, Inc. is consolidated since Youth and Shelter Services, Inc. has both an economic interest in Youth and Shelter Services Foundation and control of the Foundation through common management. All material interorganization transactions have been eliminated.

e. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f. Cash and Cash Equivalents. For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use, with an initial maturity of three months or less to be cash equivalents.

g. Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Statement of Financial Position. All gains and losses and investment income are classified as unrestricted in the accompanying Statement of Activities.

h. Land, Buildings and Equipment. Buildings and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of buildings and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following useful lives:

	<u>Years</u>
Buildings & improvements	5-25
Furniture & equipment	3-5

Expenditures in excess of \$500 for major renewals and betterments that extend the useful lives of buildings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

i. Promises to Give. Unconditional promises to give are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

j. Donated Services. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in the operation of program services. The Organization receives more than 40,000 volunteer hours per year.

k. Concentrations of Credit Risk. The financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, receivables, and promises to give. The Organization places all temporary cash in excess of \$100,000 in a diversified trust account managed by a financial institution. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the Organization's contributor base. Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from entities or individuals within the same geographic region.

l. Concentrations of Grants. The Organization is dependent on continued funding by federal, state and local governments which provide a substantial portion of the resources to operate the Organization's programs.

m. Income Tax Status. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, which provides tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

n. Comparative Financial Information. The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

o. Reclassifications. Certain prior period amounts within the accompanying statements have been reclassified for comparability.

p. Expense Allocation. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

2. Investments. Short-term investments of \$591,726 and \$702,730 at June 30, 2004 and 2003, respectively, are carried at fair value. The investments are in a managed trust account with a financial institution.

Investments were comprised of the following:

	June 30, 2004			June 30, 2003		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Money Market Funds	\$228,729	\$228,729	\$ -	\$329,377	\$329,377	\$ -
Equity Mutual Funds	128,679	144,710	16,031	144,671	135,883	(8,788)
Bond Mutual Funds	<u>219,183</u>	<u>218,287</u>	<u>(896)</u>	<u>230,977</u>	<u>237,470</u>	<u>6,493</u>
	\$576,591	\$591,726	\$15,135	\$705,025	\$702,730	\$(2,295)

Investment return is summarized as follows:

Investment income	\$ 4,296
Unrealized gain	<u>12,840</u>
Total investment return	\$ <u>17,136</u>

Expenses relating to investment revenues including custodial fees amounted to \$8,877 and have been netted against investment income in the accompanying Statement of Activities.

Cash and investments restricted for Youth and Shelter Foundation, Inc., were comprised of the following at June 30, 2004:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash	\$ 80,476	\$ 80,476	\$ -
Money Market Funds	191,120	191,120	-
Equity Mutual Funds	835,839	847,125	11,286
Bond Mutual Funds	<u>541,470</u>	<u>542,418</u>	<u>948</u>
	\$1,648,905	\$1,661,139	\$12,234

3. Land, Buildings and Equipment. Land, buildings and equipment are summarized by major classifications as follows:

	<u>2004</u>	<u>2003</u>
Land	\$ 413,542	\$ 413,542
Buildings and improvements	3,498,255	3,393,085
Furniture and equipment	<u>1,576,679</u>	<u>1,494,924</u>
	5,488,476	5,301,551
Accumulated Depreciation	<u>(3,230,787)</u>	<u>(3,051,736)</u>
	\$ <u>2,257,689</u>	\$ <u>2,249,815</u>

Depreciation expense for the years ended June 30, 2004, and 2003, was \$184,308 and \$192,302, respectively.

**YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS**

4. Leased Facilities. The Organization has several operating leases, primarily for facilities used with the service programs. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2004 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2005	\$ 182,195
2006	48,305
2007	37,260
2008	37,200
2009	<u>30,000</u>
	<u>\$ 334,960</u>

The Organization paid rent of \$249,157 and \$227,224 for the years ended June 30, 2004 and 2003, respectively.

5. Employees Benefits. Youth and Shelter Services, Inc., has two employee retirement plans for their employees: The first is a non-qualified Deferred Compensation Plan for those employees classified as management, for which the Organization contributes 3% of each participants' compensation. Two years of service are required to participate in the plan, five years of service are required for 100% vesting. The second is a defined contribution pension plan, for which the Organization contributes 5% of each participant's compensation. The percentage of contribution for both plans is determined each year by the Board of Directors. The Organization's contributions totaled \$162,919 and \$155,278 for the years ended June 30, 2004 and 2003, respectively.
6. Unemployment Tax Liability. Youth and Shelter Services, Inc., has elected to pay state unemployment taxes on a claims made basis. The Organization accrues 1.35% of their employee's wages up to the unemployment wage base established by the State of Iowa. The accrual approximates what the Organization would pay to the State of Iowa were they not on a claims made basis. Unemployment claims paid by the Organization are deducted from this liability. The accrued state unemployment liability was \$630,499 and \$597,599 at June 30, 2004, and 2003, respectively.
7. Promises to Give. Unconditional promises to give consists of the following:

	<u>2004</u>	<u>2003</u>
Unrestricted promises	\$ <u>-</u>	\$ <u>1,005</u>

8. Restrictions on Net Assets.
Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2004</u>	<u>2003</u>
Specified by donors	\$ 49,981	\$ 67,722
Interest in net assets of foundation	<u>1,629,687</u>	<u>1,455,412</u>
	<u>\$1,679,668</u>	<u>\$1,523,134</u>

9. Cash Flow Information. Interest paid was \$0 and \$0 for the years ended June 30, 2004 and 2003, respectively.

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)

	Total 2004	Total 2003
Cities/Counties	\$ 264,868	\$ 257,532
Story County - Juvenile Court	272,956	261,956
Department of Human Services - Fees	355,323	357,225
Department of Human Services - Foster Care	38,999	59,667
Shelter Care Reimbursements - Counties	136,685	134,255
Department of Public Health - Prevention	76,051	75,931
Department of Public Health - Counties	21,733	26,958
Department of Public Health - Innovative	42,914	42,914
Department of Housing & Urban Development	703,586	724,890
Department of Education	46,586	51,193
Department of Health & Human Services - Runaway Center	101,186	100,939
Department of Health & Human Services - Runaway Outreach	126,333	100,000
Department of Health & Human Services - Transitional Living	205,600	202,293
Department of Public Health - Mentoring	-	45,000
Department of Economic Development	33,429	29,000
Department of Human Rights - Family Development	279,753	279,753
Story County - State Incentive Grants	102,764	-
Department of Health & Human Services - Tri - County Health	-	120,342
Department of Justice - Drug Free Communities	102,982	43,242
Criminal and Juvenile Justice - Crime Victim	23,545	25,454
Department of Human Services - Adolescent Pregnancy	44,444	43,208
FEMA	919	5,780
City of Des Moines - CDBG	174,244	101,541
Criminal and Juvenile Justice - School Based	26,528	23,760
Department of Human Rights - Decategorization	190,927	176,465
Department of Human Services - Pregnancy Prevention	28,798	28,861
Department of Public Health - HIV Prevention	29,050	31,825
Department of Public Health - Secondhand Smoke	10,000	-
Department of Public Health - Tobacco Prevention	27,596	-
Department of Public Health - Tobacco Use Prevention	67,184	67,184
Department of Human Services - Iowa Aftercare	490,857	554,994
Department of Public Health - Party of Five	-	2,000
Department of Public Health - Community Coalition	-	1,700
Department of Public Health - School Climate Initiative	49,554	-
Department of Justice - Healthy Futures	87,430	-
Iowa Finance Authority	10,253	-
Department of Education - Rural Youth Mentoring	227,495	88,699
Department of Justice - Safe Community	-	75,000
Totals	\$ 4,400,572	\$ 4,139,561

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2004

	Iowa Department of Public Health									
	Comprehensive Substance Abuse Prevention	Incentive Substance Abuse Prevention	Incentive Substance Abuse Prevention	Youth Mentoring Program	HIV Prevention Project	HIV Prevention Project	Drug & Violence Prevention	Tobacco Use Prevention & Control	Tobacco Use Prevention & Control	Tobacco Use Prevention & Control
Revenues										
Iowa Department of Public Health	\$ 76,051	\$ 25,000	\$ 77,264	\$ 42,914	\$ 19,050	\$ 10,000	\$ 49,554	\$ 10,000	\$ 27,596	\$ 67,184
Other State	-	-	-	-	-	-	-	-	-	20,673
Other Federal	7,784	-	-	14,432	-	-	-	-	-	-
County Government	40,000	1,034	5,068	-	-	-	-	-	-	8,649
City Government	19,097	4,102	2,953	-	-	-	-	-	-	7,062
United Way	7,500	3,938	-	-	-	-	-	-	-	-
Donations	-	926	-	7,500	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-	-
In-Kind	-	-	-	27,875	-	-	5,500	-	-	14,665
Total Revenues	150,432	35,000	85,285	92,721	19,050	10,000	55,054	10,000	27,596	118,233
Expenses										
Administration	18,516	-	3,107	5,743	-	-	5,262	-	5,616	12,443
Salaries	100,395	24,607	52,391	45,796	14,228	6,916	17,257	4,370	12,695	75,754
Personnel benefits	3,636	8,541	20,554	5,051	1,696	2,134	4,369	100	1,677	8,712
Travel	7,993	223	4,643	1,633	556	496	-	94	-	887
Staff training and education	2,321	-	1,571	631	95	70	4,402	70	-	757
Contracted services	1,216	163	162	259	-	-	14,170	250	-	9,156
Insurance	780	309	505	307	-	-	-	-	-	152
Occupancy	1,248	741	760	1,260	463	-	-	-	-	2,976
Supplies	3,497	208	760	2,968	1,797	137	3,765	5,116	5,836	6,903
Telephone	2,188	56	384	410	215	247	329	-	-	493
Equipment maintenance/rental	7,649	-	-	348	-	-	-	-	-	-
Depreciation	1,199	-	-	124	-	-	-	-	-	-
Other expenses	993	152	448	28,315	-	-	5,500	-	1,772	-
Total Expenses	151,631	35,000	85,285	92,845	19,050	10,000	55,054	10,000	27,596	118,233
Total revenue over (under) expenses	\$ (1,199)	\$ -	\$ -	\$ (124)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2004

	Department of Human Rights
	FaDDS
Revenues	
Department of Human Rights	\$ 279,753
Other State	4,551
County Government	4,840
City Government	4,858
United Way	4,099
Donations	2,692
Total Revenues	300,793
Expenses	
Administration	19,980
Salaries	140,633
Personnel benefits	31,031
Travel	11,000
Staff training and education	720
Contracted services	
Family Resources	50,541
Audit	891
Legal	19
Computer	389
Staff Physicals	428
Insurance	4,762
Space Costs	
Rent/Utilities	7,603
Repairs & maintenance	8,714
Supplies	
Office supplies	2,396
Printing	698
Subscriptions & publications	37
Educational	1,560
Household	560
Special needs	2,878
Postage	1,534
Telephone	8,877
Equipment maintenance/rental	2,500
Other expenses	
Advertising & recruitment	1,427
Organization dues	1,615
Total Expenses	300,793
Total revenue over (under) expenses	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Program Expenditures
U.S. Department of Housing and Urban Development:			
Transitional Living	14.235	IA26B301002	\$ 21,410
Transitional Living	14.235	IA26B002001	190,418
Transitional Living	14.235	IA26B201010	126,447
Transitional Living	14.235	IA26B001005	63,225
Transitional Living	14.235	IA26B002002	105,814
Transitional Living	14.235		83,256
Transitional Living	14.235	IA26B201004	108,171
Relocation Assistance			4,845
Subtotal Direct Programs			703,586
Pass-Through Program From:			
City of Des Moines	14.231	HESG2003005	50,446
City of Des Moines	14.231	SESG2003007	68,400
City of Des Moines	14.218	CDBG2003024	33,448
City of Des Moines	14.218	CDBG2002019	1,950
City of Des Moines	14.218	CDBG2004036	20,000
Total U.S. Department of Housing and Urban Development			877,830
U.S. Department of Health and Human Services:			
Runaway/Homeless Youth Grant	93.623	07CY0508-02	16,823
Runaway/Homeless Youth Grant	93.623	07CY0508-03	84,363
Transitional Living	93.550	07CX0496-01	55,600
Transitional Living	93.550	07CX0496-02	150,000
Street Outreach	93.557	07Y001402	43,000
Street Outreach	93.557	07Y001403	83,333
Subtotal Direct Programs			433,119
Pass-Through Program From: Iowa Department of Public Health			
Tobacco Prevention	93.283	5884TP03	27,596
Secondhand Smoke	93.283	5884TP06	10,000
HIV Prevention	93.940	5883AP05	19,050
Incentive Grant	93.230	5883IP23	102,764
Child Access	93.597	BOC 02-021	7,061
Comprehensive Substance Abuse Prevention	93.959	5884CP01	70,607
FaDSS	93.558	FaDSS-04-23-FW	148,269
Total U.S. Department of Health and Human Services			818,466
U.S. Department of Education:			
Pass-Through Program From: Iowa Department of Public Health			
Mentoring	84.186B	5881DV01	49,554
Pass-Through Program From: Iowa Department of Education			
Rural Youth Mentoring	84.184B	020927-03	135,495
Rural Youth Mentoring	84.184B	56505589	92,000
Total U.S. Department of Education			277,049
U.S. Department of Justice:			
Drug Free Communities	16.729	2001JNFX0100	102,982
Pass-Through Program From: Story County			
Healthy Futures	16.540	EB-012-04	87,430
Pass-Through Program From: Iowa Department of Justice			
Crime Victim Assistance	16.575	VA-04-6852	23,545
Total U.S. Department of Justice			213,957
Total Expenditures of Federal Awards			\$ 2,187,302

The accompanying note is an integral part of this schedule.

YOUTH AND SHELTER SERVICES, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Youth and Shelter Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Youth and Shelter Services, Inc.
Ames, Iowa 50010

We have audited the financial statements of Youth and Shelter Services, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Youth and Shelter Services Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether Youth and Shelter Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Youth and Shelter Services, Inc., in a separate letter dated August 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Youth and Shelter Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Youth and Shelter Services, Inc. in a separate letter dated August 26, 2004.

Board of Directors
Youth and Shelter Services, Inc.
Page Two

This report is intended solely for the information of the board of directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Peterson & Houston, P.C.", written in a cursive style.

Peterson & Houston, P.C.
Boone, Iowa

August 26, 2004

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Youth and Shelter Services, Inc.
Ames, Iowa 50010

Compliance

We have audited the compliance of Youth and Shelter Services, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2004. Youth and Shelter Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Youth and Shelter Services, Inc.'s management. Our responsibility is to express an opinion on the Youth and Shelter Services, Inc.'s compliance based on our audit.

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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Youth and Shelter Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Youth and Shelter Services, Inc.'s compliance with those requirements.

In our opinion, Youth and Shelter Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Youth and Shelter Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Youth and Shelter Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Peterson & Houston, P.C.
Boone, Iowa

August 26, 2004

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) The auditor's report expresses an unqualified opinion on the financial statements of Youth and Shelter Services, Inc.
- (b) No reportable conditions in internal control over financial reporting were reported during the audit of the financial statements.
- (c) No instances of noncompliance material to the financial statements were reported during the audit.
- (d) No reportable conditions in internal control over major programs were reported during the audit of the financial statements.
- (e) The auditor's report on compliance for the major federal award programs for Youth and Shelter Services, Inc. expresses an unqualified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The programs tested as major programs included:
CFDA Number 14.235 – Transitional Housing, CFDA Number 84.186B – Mentoring.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Youth and Shelter Services, Inc., was determined a low-risk auditee.

Part II: Findings Related to Financial Statements

- (a) Instances of Non-Compliance:
No matters were required to be reported.
- (b) Reportable Conditions:
No matters were required to be reported.

Part III: Findings and Questioned Costs for Federal Awards

- (a) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).