

**YOUTH AND SHELTER SERVICES, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2005**

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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, 2005 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 2004 financial statements and, in our report dated August 26, 2004, 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 as of June 30, 2005 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 September 13, 2005, on our consideration of Youth and Shelter Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 should be considered in assessing 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

September 13, 2005

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2005**  
**(With Comparative Totals For June 30, 2004)**

	2005	2004
<b>ASSETS</b>		
Cash	\$ 44,111	\$ 52,937
Investments	696,372	591,726
Receivables		
Grants	458,975	465,033
Program service fees, less allowance for doubtful accounts of \$12,000 in 2005 and \$34,000 in 2004	232,699	278,410
Miscellaneous	11,208	3,117
Prepaid expenses	1,129	8,751
Cash surrender value of life insurance	61,072	52,849
Cash surrender value of life insurance - Foundation	38,016	30,548
Cash and investments restricted for YSS Foundation	1,787,463	1,661,139
Land	413,542	413,542
Property and equipment, less accumulated depreciation	1,703,887	1,844,147
<b>Total Assets</b>	<b>\$ 5,448,474</b>	<b>\$ 5,402,199</b>

See accompanying notes.

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2005**  
**(With Comparative Totals For June 30, 2004)**

	2005	2004
<b>LIABILITIES</b>		
Grant advances	\$ 39,649	\$ 89,432
Deferred revenue	3,287	8,593
Client accounts	20,087	19,701
Accrued expenses		
Employee benefit plan	10,861	12,796
Vacation and holiday pay	263,810	243,612
Estimated state unemployment liability	659,902	630,499
Annuities Payable - Foundation	60,000	62,000
<b>Total Liabilities</b>	<b>1,057,596</b>	<b>1,066,633</b>
<b>INTERFUND BORROWINGS</b>		
Due to general fund	32,891	(3,081)
Due (from) Foundation	(32,423)	5,209
Due (from) specified fund	(468)	(2,128)
<b>Total Interfund Borrowings</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		
Unrestricted	2,580,223	2,655,898
Temporarily restricted	1,810,655	1,679,668
<b>Total Net Assets</b>	<b>4,390,878</b>	<b>4,335,566</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,448,474</b>	<b>\$ 5,402,199</b>

See accompanying notes.

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2005**  
**(With Comparative Totals for Year Ended June 30, 2004)**

	Unrestricted	Temporarily Restricted	2005 Total	2004 Total
<b>REVENUES AND OTHER SUPPORT</b>				
Specified Donations	\$ -	\$ 53,276	\$ 53,276	\$ 70,426
Grants	223,466	-	223,466	261,798
United Way	336,032	-	336,032	280,857
Fees and grants from Governmental Agencies	4,563,962	-	4,563,962	4,400,572
Program Service Fees	2,670,056	-	2,670,056	2,817,762
Investment return	7,903	-	7,903	17,136
Miscellaneous revenue	12,718	-	12,718	5,390
Youth & Shelter Services Foundation revenues	-	566,974	566,974	531,615
Net assets released from restrictions				
Restrictions satisfied by payments	489,263	(489,263)	-	-
<b>Total Revenues and Other Support</b>	<b>8,303,400</b>	<b>130,987</b>	<b>8,434,387</b>	<b>8,385,556</b>
<b>EXPENSES</b>				
<b>Program Services</b>				
Lighthouse/HUD Program	63,077	-	63,077	186,637
Family Foster Care	74,190	-	74,190	93,747
Family Counseling Center	277,172	-	277,172	248,005
Adoption	70,117	-	70,117	55,332
Rosedale Shelter House	506,549	-	506,549	542,257
Chemical Dependency Services - Residential	1,141,607	-	1,141,607	1,256,914
Chemical Dependency Services - Outpatient	245,080	-	245,080	315,747
Pre-Natal Care Boone	51,758	-	51,758	50,626
Substance Abuse Prevention	263,347	-	263,347	282,796
Community Youth & Family Development	67,979	-	67,979	77,175
Young Parents	351,926	-	351,926	359,053
YSS of Eastern Story County	81,639	-	81,639	62,008
YSS of Boone County	376,772	-	376,772	184,633
Hamilton County Youth & Family Center	352,856	-	352,856	335,935
Runaway Homeless Youth Project	-	-	-	43,149
YSS of Marshall County	704,897	-	704,897	501,479
Iowa Homeless Youth Center	992,007	-	992,007	977,911
Story Afterschool	246,350	-	246,350	244,903
Boone Afterschool	74,758	-	74,758	54,674
Marshall Afterschool	26,230	-	26,230	18,838
Youth Employment	22,789	-	22,789	19,379
Transitional Living/Independent Living Project	57,767	-	57,767	226,555
Story Mentoring & Grip	36,507	-	36,507	52,305
Boone Mentoring & Grip	63,906	-	63,906	44,643
Passages	85,758	-	85,758	93,731
Tobacco	68,554	-	68,554	72,135
HIV/Aids	22,043	-	22,043	30,298
Story County Healthy Futures	97,372	-	97,372	91,545
Iowa Aftercare Services	531,364	-	531,364	449,507
Rural Youth Mentoring	160,621	-	160,621	190,142
Risky Business Conference	48,567	-	48,567	42,849
YSS Foundation	126,560	-	126,560	123,140
<b>Supporting Activities</b>				
General and Administrative	905,574	-	905,574	857,520
Fund Raising	183,382	-	183,382	170,898
<b>Total Expenses</b>	<b>8,379,075</b>	<b>-</b>	<b>8,379,075</b>	<b>8,356,466</b>
Increase (Decrease) in Net Assets	(75,675)	130,987	55,312	29,090
Net Assets at Beginning of Year	2,655,898	1,679,668	4,335,566	4,306,476
Net Assets at End of Year	\$ 2,580,223	\$ 1,810,655	\$ 4,390,878	\$ 4,335,566

See accompanying notes.

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2005 (With Comparative Totals for Year Ended June 30, 2004)**

	Lighthouse HUD Program	Family Foster Care	Family Counseling Center	Adoption	Rosedale Shelter House	Chemical Dependency Services Residential	Chemical Dependency Services Outpatient	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	YSS of Marshall County	Iowa Homeless Youth Center
Compensation and Related Expenses																
Compensation	\$ 23,879	\$ 44,485	\$ 160,974	\$ 47,649	\$ 329,804	\$ 723,694	\$ 164,234	\$ 29,315	\$ 141,754	\$ 42,946	\$ 190,903	\$ 55,664	\$ 263,191	\$ 228,469	\$ 355,866	\$ 572,032
Employee benefits																
Medical	-	3,512	13,313	4,303	24,331	62,189	16,404	2,832	24,792	6,345	15,355	4,780	23,362	22,590	44,391	54,676
Other	261	1,452	5,915	1,938	12,772	32,633	7,241	1,287	9,788	2,781	9,645	2,159	7,115	10,226	17,847	24,443
Payroll taxes	1,433	3,696	13,203	4,093	28,163	58,525	14,375	2,904	12,738	3,992	16,045	4,729	20,946	19,677	30,473	48,827
<b>Total Compensation and Related Expenses</b>	<b>25,573</b>	<b>53,145</b>	<b>193,405</b>	<b>57,983</b>	<b>395,070</b>	<b>877,041</b>	<b>202,254</b>	<b>36,338</b>	<b>189,072</b>	<b>56,064</b>	<b>231,948</b>	<b>67,332</b>	<b>314,614</b>	<b>280,962</b>	<b>448,577</b>	<b>699,978</b>
Conferences	-	74	1,173	91	1,197	2,567	531	489	6,332	264	2,942	108	409	461	2,932	4,224
Dues	-	181	830	223	1,337	3,691	789	138	804	181	718	179	594	969	1,249	2,807
Food	-	-	-	-	23,437	40,134	-	-	-	-	-	-	-	-	271	1,042
Insurance																
Property	489	244	905	296	1,582	5,331	1,328	188	1,062	244	1,013	240	1,449	1,291	3,171	4,699
Other	-	262	980	323	2,199	7,936	1,860	199	1,076	-	1,744	260	807	1,401	1,466	3,488
Workmans comp	66	474	1,307	431	1,218	7,095	1,932	355	1,843	832	3,614	482	1,644	1,755	3,905	5,792
Equipment maintenance & repair	1,136	495	1,437	604	4,100	6,896	1,907	71	2,425	828	5,035	2,560	6,696	4,422	5,295	11,325
Miscellaneous	-	212	722	466	1,713	3,865	744	132	957	348	5,088	170	2,072	926	7,488	5,459
Occupancy																
Rent	12,484	-	-	-	-	-	12,150	1,260	-	-	5,448	-	6,250	-	90,580	54,004
Utilities	2,630	1,095	2,048	191	10,495	18,793	1,187	-	1,680	748	1,747	280	4,478	2,239	22,553	25,930
Repairs & maintenance	8,076	420	2,127	355	7,373	24,049	379	-	4,314	1,109	3,900	1,846	2,935	15,376	12,594	16,551
Postage	-	170	629	211	1,361	3,635	827	165	1,278	170	285	271	1,608	1,366	4,585	4,170
Printing	180	67	1,012	79	1,992	3,471	209	180	7,702	100	976	1,055	2,809	1,488	6,240	4,860
Professional fees	347	258	31,649	318	18,613	57,172	4,493	10,085	18,753	915	46,474	224	4,855	3,929	18,727	22,834
Public relations	-	-	-	-	-	7,295	-	-	75	-	1,164	-	-	-	11	467
Specific assistance	138	8,151	-	-	1,235	1,263	-	-	515	-	3,432	-	1,149	-	13,831	28,564
Subscriptions	-	9	29	10	130	30	9	8	30	9	62	9	95	11	161	257
Activities & Supplies	823	28	614	35	4,966	10,170	478	-	6,359	1,814	3,346	-	919	481	4,604	10,367
Office supplies	-	334	2,394	411	2,202	5,521	776	537	1,257	259	1,225	347	1,838	964	5,944	7,620
Telephone	3,911	2,078	9,165	2,263	8,795	12,471	5,470	869	2,194	667	9,480	2,905	4,667	9,374	15,280	24,532
Travel & transportation	1,249	4,665	16,329	5,508	3,140	12,594	1,149	744	6,570	-	13,845	1,939	11,212	20,155	29,119	31,463
Uncollectible fees	-	30	139	-	1,653	12,892	2,954	-	-	-	-	-	1,039	-	142	-
Depreciation	5,975	1,798	10,278	319	12,741	17,695	3,654	-	9,049	3,427	8,440	1,432	4,633	5,286	6,172	21,574
<b>Totals</b>	<b>\$ 63,077</b>	<b>\$ 74,190</b>	<b>\$ 277,172</b>	<b>\$ 70,117</b>	<b>\$ 506,549</b>	<b>\$ 1,141,607</b>	<b>\$ 245,080</b>	<b>\$ 51,758</b>	<b>\$ 263,347</b>	<b>\$ 67,979</b>	<b>\$ 351,926</b>	<b>\$ 81,639</b>	<b>\$ 376,772</b>	<b>\$ 352,856</b>	<b>\$ 704,897</b>	<b>\$ 992,007</b>

See accompanying notes.

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2005 (With Comparative Totals for Year Ended June 30, 2004)**

			Transitional																2005 Total	
Story	Boone	Marshall	Living/ Independent	Youth	Story	Boone				Story	Iowa	Rural	Risky	YSS	Total	General	Fund	Program		
Afterschool	Afterschool	Afterschool	Living Project	Employment	Mentoring & Grip	Mentoring & Grip	Passages	Tobacco	HIV/Aids	County Healthy Futures	Aftercare Services	Youth Mentoring	Business Conference	Foundation	Program	and Administrative	Raising	and Support Service Expenses	2004 Totals	
\$ 157,455	\$ 53,329	\$ 20,613	\$ 16,001	\$ 17,336	\$ 16,674	\$ 51,459	\$ 56,530	\$ 37,069	\$ 16,016	\$ 25,019	\$ -	\$ 124,379	\$ 9,032	\$ 39,323	\$ 4,015,094	\$ 564,282	\$ 132,105	\$ 4,711,481	\$ 4,623,938	
12,912	3,839	-	1,569	306	959	2,827	4,430	4,293	1,681	2,848	-	4,761	-	-	363,600	41,806	32,225	437,631	386,731	
6,083	1,174	65	779	510	155	1,023	1,996	1,673	648	1,400	-	1,861	-	2,661	167,531	34,767	-	202,298	209,255	
13,146	4,496	1,754	1,022	1,541	1,647	3,835	4,794	3,347	1,376	2,103	-	11,817	691	3,293	338,681	46,147	10,106	394,934	401,145	
189,596	62,838	22,432	19,371	19,693	19,435	59,144	67,750	46,382	19,721	31,370	-	142,818	9,723	45,277	4,884,906	687,002	174,436	5,746,344	5,621,069	
632	166	25	100	24	179	49	117	440	-	412	-	880	-	-	26,818	5,063	-	31,881	36,251	
702	163	61	-	59	120	119	232	3,189	-	-	-	509	1,524	537	21,905	6,411	-	28,316	25,035	
12,133	3,176	1,122	-	-	102	-	1,322	-	-	-	-	114	12,044	-	94,897	-	-	94,897	92,830	
1,095	147	80	145	232	273	154	307	254	-	-	-	551	-	-	26,770	3,861	-	30,631	23,429	
1,015	236	88	-	85	172	171	334	296	-	-	-	543	-	-	26,941	4,133	-	31,074	25,667	
814	315	150	172	109	20	261	446	401	107	246	-	778	-	-	36,564	7,901	-	44,465	50,793	
1,186	84	31	-	148	65	132	469	119	-	-	-	273	468	-	58,207	22,102	-	80,309	113,625	
659	153	59	-	58	113	113	219	196	-	-	-	492	324	11,183	43,931	6,932	-	50,863	85,818	
-	-	-	26,986	-	-	-	-	-	-	-	-	1,260	-	-	210,422	-	-	210,422	249,157	
186	-	-	4,581	500	-	-	563	-	918	-	-	-	-	-	102,842	7,421	-	110,263	110,885	
329	-	-	1,934	329	-	-	1,173	-	-	750	-	-	-	4,501	110,420	18,322	-	128,742	115,889	
543	161	55	65	53	154	168	213	179	64	523	-	478	3,883	513	27,783	2,653	-	30,436	32,258	
265	51	17	246	17	474	47	222	548	-	904	-	330	6,811	28,054	70,406	534	8,946	79,886	98,492	
3,956	202	80	1,017	100	13,302	1,534	1,551	6,053	-	57,831	531,364	7,222	11,679	3,341	878,878	9,500	-	888,378	816,202	
-	-	-	-	-	-	-	-	5,126	-	-	-	-	-	16,383	30,521	-	-	30,521	23,017	
-	-	-	446	-	-	-	-	-	-	127	-	-	-	15,986	74,837	-	-	74,837	79,682	
30	9	1	32	11	2	2	10	9	-	-	-	21	-	-	986	108	-	1,094	1,258	
24,435	5,430	1,275	148	31	151	-	95	2,618	94	9	-	92	-	-	79,382	1,393	-	80,775	107,570	
1,029	174	66	84	656	217	126	262	691	-	176	-	545	116	524	36,295	4,518	-	40,813	46,443	
4,676	674	299	885	511	309	811	605	838	390	662	-	2,009	-	238	127,028	37,360	-	164,388	178,473	
3,069	779	389	1,158	173	1,184	1,075	6,954	1,215	280	564	-	1,262	1,091	23	178,897	19,547	-	198,444	188,698	
-	-	-	-	-	-	-	163	-	-	-	-	-	-	-	19,012	-	-	19,012	49,617	
-	-	-	397	-	235	-	2,751	-	469	3,798	-	444	904	-	121,471	60,813	-	182,284	184,308	
\$ 246,350	\$ 74,758	\$ 26,230	\$ 57,767	\$ 22,789	\$ 36,507	\$ 63,906	\$ 85,758	\$ 68,554	\$ 22,043	\$ 97,372	\$ 531,364	\$ 160,621	\$ 48,567	\$ 126,560	\$ 7,290,119	\$ 905,574	\$ 183,382	\$ 8,379,075	\$ 8,356,466	

See accompanying notes.

**YOUTH AND SHELTER SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2005**  
**(With Comparative Totals for 2004)**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 55,312	\$ 29,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	182,284	184,308
Unrealized (gain) loss on investments	8,418	(12,839)
(Increase) Decrease in operating assets		
Unconditional promises to give	-	1,005
Grants receivable	6,058	(55,268)
Program service fees receivable	45,711	(581)
Miscellaneous receivables	(8,091)	18,099
Prepaid expenses	7,622	10,009
Increase (Decrease) in operating liabilities		
Annuities payable	(2,000)	(3,000)
Grant advances	(49,783)	41,333
Deferred revenue	(5,306)	5,468
Client accounts	386	6,681
Accrued employee benefit plan	(1,935)	(320)
Accrued vacation and holiday pay	20,198	13,396
Accrued estimated state unemployment liability	29,403	32,900
Restricted contributions	(53,276)	(70,426)
<b>Net Cash Provided by Operating Activities</b>	<b>235,001</b>	<b>199,855</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchases) sales of investments, net	(113,064)	123,843
(Purchases) sales of investments restricted to YSS Foundation, net	(126,324)	(164,161)
Payments for property and equipment	(42,024)	(192,182)
Increase in cash surrender value of life insurance	(15,691)	(28,896)
<b>Net Cash (Used) by Investing Activities</b>	<b>(297,103)</b>	<b>(261,396)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Specified donations collections	53,276	70,426
<b>Net Cash Provided by Financing Activities</b>	<b>53,276</b>	<b>70,426</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(8,826)</b>	<b>8,885</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>52,937</b>	<b>44,052</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 44,111</b>	<b>\$ 52,937</b>

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 community youth development, prevention, education, treatment, and residential services to children, youth and families; to advocate on their behalf; and to help them solve problems, grow, and be self-sufficient, responsible, contributing members of society.

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 computed 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 \$2,000 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**

1. Nature of Activities and Summary of Significant Accounting Policies. (continued)

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. 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, 2004, from which the summarized information was derived.

o. 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.

p. Program Service Fees Receivable. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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

2. Investments. Short-term investments of \$696,372 and \$591,726 at June 30, 2005 and 2004, 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, 2005			June 30, 2004		
	<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	\$523,592	\$523,592	\$ -	\$228,729	\$228,729	\$ -
Equity Mutual Funds	70,917	76,459	5,542	128,679	144,710	16,031
Bond Mutual Funds	<u>95,146</u>	<u>96,321</u>	<u>1,175</u>	<u>219,183</u>	<u>218,287</u>	<u>(896)</u>
	<u>\$689,655</u>	<u>\$696,372</u>	<u>\$ 6,717</u>	<u>\$576,591</u>	<u>\$591,726</u>	<u>\$ 15,135</u>

Investment return is summarized as follows:

Investment income	\$ 16,321
Unrealized loss	<u>(8,418)</u>
Total investment return	<u>\$ 7,903</u>

Expenses relating to investment revenues including custodial fees amounted to \$5,647 and have been netted against investment income in the accompanying Statement of Activities.

Cash and investments restricted for Youth and Shelter Services Foundation, Inc., were comprised of the following at June 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash	\$ 71,935	\$ 71,935	\$ -
Money Market Funds	179,604	179,604	-
Equity Mutual Funds	903,651	968,279	64,628
Bond Mutual Funds	<u>563,745</u>	<u>567,645</u>	<u>3,900</u>
	<u>\$1,718,935</u>	<u>\$1,787,463</u>	<u>\$68,528</u>

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

	<u>2005</u>	<u>2004</u>
Land	\$ 413,542	\$ 413,542
Buildings and improvements	3,527,442	3,498,255
Furniture and equipment	<u>1,589,515</u>	<u>1,576,679</u>
	5,530,499	5,488,476
Accumulated Depreciation	<u>(3,413,070)</u>	<u>(3,230,787)</u>
	<u>\$ 2,117,429</u>	<u>\$ 2,257,689</u>

Depreciation expense for the years ended June 30, 2005, and 2004, was \$182,284 and \$184,308, 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, 2005 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2006	\$ 146,575
2007	40,345
2008	37,200
2009	30,000
2010	<u>30,000</u>
	<u>\$ 284,120</u>

The Organization paid rent of \$210,422 and \$249,157 for the years ended June 30, 2005 and 2004, 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 Organization's contributions totaled \$167,572 and \$162,919 for the years ended June 30, 2005 and 2004, 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 \$659,902 and \$630,499 at June 30, 2005, and 2004, respectively.
7. Restrictions on Net Assets.  
Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2005</u>	<u>2004</u>
Specified by donors	\$ 45,176	\$ 49,981
Interest in net assets of foundation	<u>1,765,479</u>	<u>1,629,687</u>
	<u>\$ 1,810,655</u>	<u>\$ 1,679,668</u>

8. Cash Flow Information. Interest paid was \$0 and \$0 for the years ended June 30, 2005 and 2004, respectively.
9. Risk Management. The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.
10. Net Client Service Revenue. Client service revenue is reported at the estimated realizable amounts from clients, third party payors and others for services rendered.

**YOUTH AND SHELTER SERVICES, INC.**  
**FEES AND GRANTS FROM GOVERNMENTAL AGENCIES**  
**YEAR ENDED JUNE 30, 2005**  
**(With Comparative Totals for Year Ended June 30, 2004)**

	Total 2005	Total 2004
Cities/Counties	\$ 256,963	\$ 264,868
Story County - Juvenile Court	263,570	272,956
Department of Human Services - Fees	268,709	355,323
Department of Human Services - Foster Care	43,800	38,999
Shelter Care Reimbursements - Counties	101,277	136,685
Department of Public Health - Prevention	75,931	76,051
Department of Public Health - Counties	21,967	21,733
Department of Public Health - Innovative	45,250	42,914
Department of Housing & Urban Development	705,228	703,586
Department of Education	46,146	46,586
Department of Health & Human Services - Runaway Center	110,054	101,186
Department of Health & Human Services - Runaway Outreach	90,906	126,333
Department of Health & Human Services - Transitional Living	201,189	205,600
Department of Health & Human Services - Compassion Fund	45,833	-
Department of Economic Development	50,001	33,429
Department of Human Rights - Family Development	279,753	279,753
Story County - State Incentive Grants	99,866	102,764
Department of Health & Human Services - Drug Free Communities	26,627	-
Department of Justice - Drug Free Communities	-	102,982
Criminal and Juvenile Justice - Crime Victim	19,907	23,545
Department of Human Services - Adolescent Pregnancy	51,666	44,444
FEMA	5,836	919
City of Des Moines - CDBG	131,124	174,244
Criminal and Juvenile Justice - School Based	26,752	26,528
Department of Human Rights - Decategorization	199,508	190,927
Department of Human Services - Pregnancy Prevention	28,153	28,798
Department of Public Health - HIV Prevention	20,200	29,050
Department of Public Health - Secondhand Smoke	10,100	10,000
Department of Public Health - Tobacco Prevention	33,532	27,596
Department of Public Health - Tobacco Use Prevention	60,374	67,184
Department of Human Services - Iowa Aftercare	807,349	490,857
Governors Office of Drug Control Policy - E. Byrne Memorial	43,239	-
Department of Public Health - School Climate Initiative	45,788	49,554
Department of Justice - Healthy Futures	92,000	87,430
Iowa Finance Authority	-	10,253
Department of Education - Rural Youth Mentoring	255,364	227,495
<b>Totals</b>	<b>\$ 4,563,962</b>	<b>\$ 4,400,572</b>

**YOUTH AND SHELTER SERVICES, INC.**  
**SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	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	Tobacco Use Prevention & Control
Revenues											
Iowa Department of Public Health	\$ 75,931	\$ 70,000	\$ 25,000	\$ 45,250	\$ 10,000	\$ 10,200	\$ 43,724	\$ 10,100	\$ 33,532	\$ 60,374	
County Government	-	10,000	-	-	-	-	-	-	-	8,068	
City Government	-	-	-	-	-	-	-	-	-	18,288	
United Way	-	-	-	-	-	-	-	-	-	5,062	
Donations	-	-	-	8,055	-	-	-	-	-	-	
Other Revenue	-	-	-	-	-	-	-	-	-	-	
In-Kind	-	-	-	20,470	-	-	9,358	-	-	21,419	
<b>Total Revenues</b>	<b>75,931</b>	<b>80,000</b>	<b>25,000</b>	<b>73,775</b>	<b>10,000</b>	<b>10,200</b>	<b>53,082</b>	<b>10,100</b>	<b>33,532</b>	<b>113,211</b>	
Expenses											
Administration	7,435	5,870	798	4,326	-	-	5,180	-	-	16,312	
Salaries	41,422	52,614	12,109	37,998	7,930	7,728	12,599	1,406	21,073	71,362	
Personnel benefits	12,313	11,689	1,818	6,170	1,842	1,941	4,782	44	5,634	11,644	
Travel	3,368	2,647	899	1,543	193	86	-	158	376	1,058	
Staff training and education	486	160	207	49	-	-	5,043	-	533	440	
Contracted services	862	293	362	-	-	-	13,200	3,750	-	2,470	
Insurance	1,076	496	566	154	-	-	-	-	1,222	931	
Occupancy	800	2,750	542	-	-	-	-	-	-	4,006	
Supplies	5,636	1,374	6,520	2,444	35	55	2,696	4,742	4,694	3,954	
Telephone	533	1,561	481	509	-	390	224	-	-	837	
Equipment maintenance/rental	2,000	-	-	-	-	-	-	-	-	-	
Other expenses	-	546	698	20,582	-	-	9,358	-	-	197	
<b>Total Expenses</b>	<b>75,931</b>	<b>80,000</b>	<b>25,000</b>	<b>73,775</b>	<b>10,000</b>	<b>10,200</b>	<b>53,082</b>	<b>10,100</b>	<b>33,532</b>	<b>113,211</b>	
<b>Total revenue over (under) expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**YOUTH AND SHELTER SERVICES, INC.**  
**SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Department of Human Rights
	FaDDS
<b>Revenues</b>	
Department of Human Rights	\$ 279,753
Other State	4,406
County Government	4,608
City Government	6,536
United Way	6,063
Donations	10,570
<hr/>	
<b>Total Revenues</b>	<b>311,936</b>
<b>Expenses</b>	
Administration	18,395
Salaries	156,242
Personnel benefits	33,835
Travel	11,550
Staff training and education	1,442
Contracted services	
Family Resources	43,574
Audit	1,252
Legal	84
Computer	663
Staff Physicals	847
Insurance	1,580
Space Costs	
Rent/Utilities	6,934
Repairs & maintenance	12,189
Supplies	
Office supplies	1,508
Printing	2,054
Educational	493
Household	3,675
Special needs	2,007
Postage	1,063
Telephone	8,531
Other expenses	
Advertising & recruitment	3,114
Organization dues	904
<hr/>	
<b>Total Expenses</b>	<b>311,936</b>
<hr/>	
<b>Total revenue over (under) expenses</b>	<b>\$ -</b>
<hr/>	

**YOUTH AND SHELTER SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Program Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Transitional Living	14.235	IA26B302003	\$ 56,065
Transitional Living	14.235	IA26B302002	291,069
Transitional Living	14.235	IA26B301002	107,047
Transitional Living	14.235	IA26B401002	21,410
Transitional Living	14.235	IA26B002002	41,000
Transitional Living	14.235	IA26B201010	126,445
Transitional Living	14.235	IA26B401005	62,192
Relocation Assistance			5,836
Subtotal Direct Programs			711,064
Pass-Through Program From:			
Department of Economic Development	14.231	05-HES-004	50,000
City of Des Moines	14.231	ESG2005001	910
City of Des Moines	14.231	HESG2004003	9,748
City of Des Moines	14.218	CDBG2004036	31,000
City of Des Moines	14.218	CDBG2005024	27,876
City of Des Moines	14.218	CDBG2005036	11,590
Total U.S. Department of Housing and Urban Development			842,188
<b>U.S. Department of Health and Human Services:</b>			
Drug Free Communities	93.276	H79SP11259-01	26,627
Runaway/Homeless Youth Grant	93.623	07CY0527-01	93,478
Runaway/Homeless Youth Grant	93.623	07CY0508-03	16,579
Federal Compassion Fund	93.647	901IJ009401	45,833
Transitional Living	93.550	07CX0496-03	151,189
Transitional Living	93.550	07CX0496-02	50,000
Street Outreach	93.557	07Y001403	16,667
Street Outreach	93.557	07Y002601	74,239
Subtotal Direct Programs			474,612
Pass-Through Program From: Iowa Department of Public Health			
Tobacco Prevention	93.283	5885TP03	33,532
Secondhand Smoke	93.283	5885TP06	10,000
HIV Prevention	93.940	5885AP05	10,000
HIV Prevention	93.940	5884AP05	10,200
Incentive Grant	93.230	5883IP23	95,000
Incentive Grant	93.230	5883IP13	4,866
Pregnancy Prevention		BDPS-05-010	51,666
Comprehensive Substance Abuse Prevention	93.959	5885CP01	70,607
FaDSS	93.558	FaDSS-05-23-FW	148,269
Total U.S. Department of Health and Human Services			908,752

**YOUTH AND SHELTER SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Program Expenditures
<b>U.S. Department of Education:</b>			
Rural Youth Mentoring	84.184B	2001JNFX0100	71,510
Pass-Through Program From: Iowa Department of Education			
Rural Youth Mentoring	84.184B	020927-03	47,539
Rural Youth Mentoring	84.184B	020927-04	136,315
Pass-Through Program From: Iowa Department of Public Health			
Mentoring	84.186B	5885DV01	43,724
Total U.S. Department of Education			299,088
<b>U.S. Department of Justice:</b>			
Pass-Through Program From:			
Governor's Office of Drug Control Policies			
E. Byrne Memorial	16.579	04D-1361	43,239
Pass-Through Program From: Story County			
Healthy Futures	16.540	EB-009-05	92,000
Pass-Through Program From: Iowa Department of Justice			
Crime Victim Assistance	16.575	VA-05-07	21,110
Total U.S. Department of Justice			156,349
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,206,377</b>

1. Basis of Presentation

This 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 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

724 Story Street, Suite 601

Boone, IA 50036-2871

Gerald E. Peterson, CPA  
Kevin N. Houston, CPA

Telephone  
(515) 432-1176  
Fax Number  
(515) 432-1186

**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**

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, 2005, and have issued our report thereon dated September 13, 2005. 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*.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information of the finance committee, 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

September 13, 2005

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

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Kevin N. Houston, CPA

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(515) 432-1176  
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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, 2005. 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 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 of 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, 2005.

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 reportable 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 caused by error or fraud 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 finance committee, 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 cursive script, appearing to read "Peterson & Houston, P.C.", written in dark ink.

Peterson & Houston, P.C.  
Boone, Iowa

September 13, 2005

**YOUTH AND SHELTER SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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 program tested as a major program included:  
CFDA Number 14.235 – Transitional Housing
- (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 to be 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).