

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

Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S 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. (a nonprofit organization) and affiliate as of June 30, 2007 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 consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated September 12, 2006, 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. The financial statements of Youth and Shelter Services Foundation, Inc. (the affiliate) were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2007 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 our report dated September 18, 2007, 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 consolidated financial statements of Youth and Shelter Services, Inc. taken as a whole. The information included in the accompanying schedules of Consolidating Statements of Financial Position and Activities, 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 consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated 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 18, 2007

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
(With Comparative Totals For June 30, 2006)

	2007	2006
ASSETS		
Cash	\$ 38,926	\$ 42,083
Investments	690,143	760,671
Receivables		
Grants	557,023	510,608
Program service fees, less allowance for doubtful accounts of \$12,000 in 2007 and \$12,000 in 2006	304,067	188,150
Miscellaneous	9,028	3,126
Prepaid expenses	6,609	30,867
Cash surrender value of life insurance	82,122	66,483
Cash surrender value of life insurance - Foundation	49,025	43,939
Cash and investments restricted for YSS Foundation	2,901,628	2,215,774
Land	413,542	413,542
Property and equipment, less accumulated depreciation	1,476,635	1,588,296
Total Assets	\$ 6,528,748	\$ 5,863,539

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
(With Comparative Totals For June 30, 2006)

	2007	2006
LIABILITIES		
Grant advances	\$ 86,333	\$ 25,481
Deferred revenue	51,698	10,000
Client accounts	15,975	20,679
Accrued expenses		
Employee benefit plan	12,067	9,928
Vacation and holiday pay	255,476	244,490
Estimated state unemployment liability	727,703	695,719
Note payable	8,550	5,000
Annuities Payable - Foundation	55,000	56,000
Total Liabilities	1,212,802	1,067,297
INTERFUND BORROWINGS		
Due to general fund	34,359	1,313
Due (from) Foundation	(26,546)	(14,397)
Due (from) specified fund	(7,813)	13,084
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	2,404,481	2,556,852
Temporarily restricted	2,911,465	2,239,390
Total Net Assets	5,315,946	4,796,242
Total Liabilities and Net Assets	\$ 6,528,748	\$ 5,863,539

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	Unrestricted	Temporarily Restricted	2007 Total	2006 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ 46,510	\$ 46,510	\$ 38,909
Grants	261,065	-	261,065	244,676
United Way	335,926	-	335,926	328,493
Fees and grants from Governmental Agencies	5,491,374	-	5,491,374	4,785,311
Program Service Fees	2,627,031	-	2,627,031	2,620,043
Investment return	50,190	-	50,190	15,672
Miscellaneous revenue	20,269	-	20,269	1,956
Youth & Shelter Services Foundation revenues	-	1,001,463	1,001,463	872,417
Net assets released from restrictions				
Restrictions satisfied by payments	375,898	(375,898)	-	-
Total Revenues and Other Support	9,161,753	672,075	9,833,828	8,907,477
EXPENSES				
Program Services				
Lighthouse/HUD Program	54,019	-	54,019	57,699
Family Foster Care	278,938	-	278,938	138,092
Family Counseling Center	392,657	-	392,657	374,118
Adoption	57,916	-	57,916	61,808
Rosedale Shelter House	564,458	-	564,458	566,377
Chemical Dependency Services - Residential	1,100,577	-	1,100,577	1,183,916
Chemical Dependency Services - Outpatient	235,557	-	235,557	228,916
Pre-Natal Care Boone	92,726	-	92,726	78,162
Substance Abuse Prevention	216,043	-	216,043	302,857
Community Youth & Family Development	94,311	-	94,311	62,604
Young Parents	293,452	-	293,452	282,061
YSS of Eastern Story County	74,147	-	74,147	65,680
YSS of Boone County	351,566	-	351,566	395,465
Hamilton County Youth & Family Center	281,849	-	281,849	272,608
Adolescent Pregnancy Prevention	46,085	-	46,085	54,833
YSS of Marshall County	594,220	-	594,220	664,403
Iowa Homeless Youth Center	1,071,942	-	1,071,942	945,197
Story Afterschool	303,032	-	303,032	270,069
Boone Afterschool	76,181	-	76,181	83,935
Marshall Afterschool	43,114	-	43,114	41,046
Hamilton Afterschool	41,288	-	41,288	-
Youth Employment	22,404	-	22,404	24,225
Transitional Living/Independent Living Project	62,947	-	62,947	57,891
Story Mentoring & Grip	129,694	-	129,694	151,822
Boone Mentoring & Grip	75,811	-	75,811	72,126
Tobacco Task Force	10,758	-	10,758	-
Tobacco	64,335	-	64,335	73,653
HIV/Aids	16,892	-	16,892	21,691
Story County Healthy Futures	155,196	-	155,196	146,736
Iowa Aftercare Services	1,193,507	-	1,193,507	583,078
Juvenile Community Services	28,664	-	28,664	-
Risky Business Conference	39,111	-	39,111	41,015
Passages	-	-	-	37,681
YSS Foundation	142,063	-	142,063	125,113
Supporting Activities				
General and Administrative	917,319	-	917,319	846,132
Fund Raising	191,345	-	191,345	191,104
Total Expenses	9,314,124	-	9,314,124	8,502,113
Increase (Decrease) in Net Assets	(152,371)	672,075	519,704	405,364
Net Assets at Beginning of Year	2,556,852	2,239,390	4,796,242	4,390,878
Net Assets at End of Year	\$ 2,404,481	\$ 2,911,465	\$ 5,315,946	\$ 4,796,242

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	Lighthouse HUD Program	Family Foster Care	Family Counseling Center	Adolescent Pregnancy Prevention	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	Story Afterschool
Compensation and Related Expenses																	
Compensation	\$ 23,945	\$ 115,265	\$ 253,479	\$ 32,364	\$ 351,239	\$ 661,085	\$ 161,142	\$ 54,239	\$ 126,702	\$ 55,569	\$ 152,705	\$ 41,743	\$ 209,391	\$ 175,026	\$ 278,593	\$ 551,890	\$ 192,562
Employee benefits																	
Medical	-	12,819	22,609	2,557	30,110	78,908	20,306	6,611	9,544	4,984	12,882	4,462	15,602	12,036	24,778	48,954	8,812
Other	266	5,774	12,413	1,497	13,708	27,516	7,023	3,359	5,199	1,398	6,318	1,770	10,167	6,446	17,710	25,637	7,699
Payroll taxes	1,104	9,955	21,117	2,708	29,910	56,453	13,527	4,711	10,602	3,926	13,053	3,853	16,626	15,008	23,628	47,888	16,452
Total Compensation and Related Expenses	25,315	143,813	309,618	39,126	424,967	823,962	201,998	68,920	152,047	65,877	184,958	51,828	251,786	208,516	344,709	674,369	225,525
Conferences	-	5,353	634	222	1,776	4,337	195	1,840	8,124	1,295	2,115	49	474	187	976	4,219	1,247
Dues	-	351	611	-	890	5,900	466	-	1,257	176	490	494	1,240	537	1,859	2,321	552
Food	-	-	-	-	29,579	42,036	-	-	239	-	-	-	-	-	2,117	2,725	13,385
Insurance																	
Property	418	381	1,450	-	784	3,718	410	237	310	-	713	465	2,801	633	2,932	4,167	197
Other	-	681	1,841	212	1,725	6,415	1,562	538	1,521	125	1,202	314	785	1,234	2,289	3,508	1,374
Workmans comp	40	1,752	6,040	594	5,661	-	220	1,131	2,970	954	2,799	766	4,370	2,621	11,138	11,970	4,201
Equipment maintenance & repair	738	614	707	-	14,046	9,696	2,619	157	1,525	626	1,307	999	1,943	1,687	930	11,861	11,452
Miscellaneous	-	1,197	465	-	2,685	5,641	412	-	2,349	-	588	248	655	48	3,101	27,175	637
Occupancy																	
Rent	11,959	-	-	661	-	-	-	2,556	-	-	4,416	-	6,000	-	86,620	49,621	-
Utilities	5,008	828	3,141	-	11,285	18,601	1,587	-	1,046	-	2,701	1,731	5,417	2,877	25,419	30,139	472
Repairs & maintenance	2,387	1,339	5,250	-	12,592	43,082	2,249	-	734	975	4,386	5,050	8,216	2,960	8,770	12,277	826
Postage	-	965	948	193	1,495	2,508	1,108	462	1,163	545	1,095	571	2,189	1,422	3,763	6,487	531
Printing	-	679	642	187	1,663	3,096	236	396	2,416	1,338	716	2,989	4,783	3,237	3,306	3,269	198
Professional fees	328	29,087	15,322	385	12,878	48,550	6,457	11,249	17,480	12,358	48,638	635	13,845	2,316	13,949	16,283	2,721
Public relations	-	-	-	-	201	15	-	-	1,785	66	10	-	-	-	-	61	-
Specific assistance	466	73,073	-	-	1,586	1,436	-	-	2,858	-	2,612	-	1,048	13,108	9,532	107,992	216
Subscriptions	-	20	74	-	47	326	15	-	130	50	54	30	30	30	220	224	9
Activities & Supplies	174	159	827	593	8,133	10,076	298	556	5,718	2,980	345	-	1,073	465	10,716	12,429	27,300
Office supplies	-	1,985	3,510	345	7,202	16,420	3,492	627	2,771	1,098	2,365	389	4,153	2,208	8,766	11,191	1,993
Telephone	3,817	5,726	13,605	1,493	10,625	23,057	6,881	2,493	3,016	1,230	9,613	4,753	12,990	11,177	19,390	27,973	5,571
Travel & transportation	1,390	10,677	16,363	2,074	3,473	17,435	437	1,564	6,005	-	15,724	1,401	21,100	20,582	26,498	36,199	4,625
Uncollectible fees	-	-	3,638	-	1,883	3,701	291	-	-	-	-	132	1,209	962	1,087	-	-
Depreciation	1,979	258	7,971	-	9,282	10,569	4,624	-	579	4,618	6,605	1,303	5,459	5,042	6,133	15,482	-
Totals	\$ 54,019	\$ 278,938	\$ 392,657	\$ 46,085	\$ 564,458	\$ 1,100,577	\$ 235,557	\$ 92,726	\$ 216,043	\$ 94,311	\$ 293,452	\$ 74,147	\$ 351,566	\$ 281,849	\$ 594,220	\$ 1,071,942	\$ 303,032

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	Boone Afterschool	Marshall Afterschool	Hamilton Afterschool	Transitional Living/ Independent Living Project	Youth Employment	Story Mentoring & Grip	Boone Mentoring & Grip	Tobacco Task Force	Tobacco	HIV/Aids	Story County Healthy Futures	Iowa Aftercare Services	Adoption	Risky Business Conference	Juvenile Community Services	YSS Foundation	Total Program	General and Administrative	Fund Raising	2007 Total Program and Support Service Expenses	2006 Totals
\$	53,888	\$ 28,752	\$ 32,109	\$ 14,230	\$ 13,450	\$ 87,710	\$ 58,778	\$ -	\$ 44,146	\$ 7,765	\$ 51,123	\$ -	\$ 33,795	\$ 9,355	\$ -	\$ 41,310	\$ 3,913,350	\$ 592,175	\$ 137,234	\$ 4,642,759	\$ 4,735,150
	2,981	1,621	1,602	2,587	914	5,567	3,248	-	4,686	851	6,229	-	4,133	-	-	-	350,393	27,169	27,929	405,491	428,341
	2,151	174	609	1,287	653	3,459	1,628	-	2,407	285	3,480	-	1,961	-	-	2,479	174,473	24,588	-	199,061	201,908
	4,606	2,543	2,620	1,134	963	7,380	4,895	-	3,813	626	4,734	-	2,979	671	-	2,979	330,464	47,425	10,497	388,386	399,876
	63,626	33,090	36,940	19,238	15,980	104,116	68,549	-	55,052	9,527	65,566	-	42,868	10,026	-	46,768	4,768,680	691,357	175,660	5,635,697	5,765,275
	142	56	45	548	95	335	315	-	1,195	479	492	-	168	-	-	126	37,039	2,205	-	39,244	36,568
	138	71	-	-	31	664	90	-	115	39	338	-	136	2,538	-	158	21,462	5,516	-	26,978	23,163
	2,614	1,800	1,178	-	-	-	-	-	-	-	-	-	-	7,995	-	9,339	113,007	-	-	113,007	99,325
	-	-	-	106	-	144	-	-	241	120	486	-	89	-	-	-	20,802	6,281	-	27,083	23,970
	362	220	-	91	120	682	156	-	-	162	614	-	260	-	-	-	27,993	3,339	-	31,332	30,993
	956	564	691	510	305	1,606	693	-	909	146	982	-	796	-	-	-	65,385	11,227	-	76,612	60,360
	156	585	1,060	-	3,439	220	-	-	65	-	799	-	63	-	-	-	67,294	12,930	-	80,224	68,109
	3	-	139	559	4	741	28	-	-	-	-	-	242	968	-	9,464	57,349	8,400	-	65,749	42,804
	-	-	-	26,541	-	-	441	-	-	-	-	-	-	6,234	-	-	195,049	-	-	195,049	196,791
	-	-	-	3,610	-	215	-	-	116	-	913	-	340	-	-	-	115,446	11,921	-	127,367	118,413
	-	-	-	1,625	-	370	-	-	346	188	2,099	-	746	-	-	372	116,839	27,681	-	144,520	134,119
	338	180	-	171	100	1,028	286	-	319	45	822	-	333	1,510	-	295	30,872	3,121	-	33,993	33,822
	128	535	-	87	46	2,147	68	-	1,103	29	789	-	149	1,554	-	41,515	77,301	1,654	15,685	94,640	74,968
	726	-	104	5,824	227	7,874	1,273	5,834	226	148	63,814	1,167,199	1,275	4,800	28,664	4,902	1,545,371	16,681	-	1,562,052	932,515
	25	-	-	-	-	-	-	4,579	30	3,940	-	-	-	-	-	15,127	25,839	-	-	25,839	23,661
	-	-	-	1,052	-	-	-	-	-	-	2,987	-	-	-	-	13,047	231,013	-	-	231,013	70,301
	-	-	-	11	-	16	-	-	-	5	21	-	6	-	-	-	1,318	389	-	1,707	1,345
	5,293	3,566	235	291	-	917	47	-	696	398	7,559	26,308	62	-	-	-	127,214	1,652	-	128,866	93,996
	613	420	-	247	1,035	1,496	639	-	-	73	1,372	-	699	-	-	-	75,109	6,506	-	81,615	61,145
	794	696	-	1,811	747	2,208	1,997	-	2,825	505	2,536	-	2,015	-	-	950	180,494	21,435	-	201,929	196,474
	267	1,331	896	331	275	3,473	1,229	345	1,097	619	1,143	-	3,854	2,582	-	-	202,989	15,634	-	218,623	223,110
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,903	-	-	12,903	21,242
	-	-	-	294	-	1,442	-	-	-	469	1,864	-	3,815	904	-	-	88,692	69,390	-	158,082	169,644
\$	76,181	\$ 43,114	\$ 41,288	\$ 62,947	\$ 22,404	\$ 129,694	\$ 75,811	\$ 10,758	\$ 64,335	\$ 16,892	\$ 155,196	\$ 1,193,507	\$ 57,916	\$ 39,111	\$ 28,664	\$ 142,063	\$ 8,205,460	\$ 917,319	\$ 191,345	\$ 9,314,124	\$ 8,502,113

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for 2006)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 519,704	\$ 405,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	158,082	169,644
Unrealized (gain) loss on investments	(17,005)	5,133
(Increase) Decrease in operating assets		
Grants receivable	(46,415)	(51,633)
Program service fees receivable	(115,917)	44,549
Miscellaneous receivables	(5,902)	8,082
Prepaid expenses	24,258	(29,738)
Increase (Decrease) in operating liabilities		
Annuities payable	(1,000)	(4,000)
Grant advances	60,852	(14,168)
Deferred revenue	41,698	6,713
Client accounts	(4,704)	592
Accrued employee benefit plan	2,139	(933)
Accrued vacation and holiday pay	10,986	(19,320)
Accrued estimated state unemployment liability	31,984	35,817
Restricted contributions	(46,510)	(38,909)
Net Cash Provided by Operating Activities	612,250	517,193
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	101,789	(69,432)
(Purchases) sales of investments restricted to YSS Foundation, net	(700,110)	(428,311)
Payments for property and equipment	(42,871)	(49,053)
Increase in cash surrender value of life insurance	(20,725)	(11,334)
Net Cash (Used) by Investing Activities	(661,917)	(558,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Specified donations collections	46,510	38,909
Net Cash Provided by Financing Activities	46,510	38,909
Net Increase (Decrease) in Cash and Cash Equivalents	(3,157)	(2,028)
Cash and Cash Equivalents at Beginning of Year	42,083	44,111
Cash and Cash Equivalents at End of Year	\$ 38,926	\$ 42,083

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, 2006, 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 \$690,143 and \$760,671 at June 30, 2007 and 2006, 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, 2007			June 30, 2006		
	<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	\$255,481	\$255,481	\$ -	\$573,720	\$573,720	\$ -
Equity Mutual Funds	147,188	170,456	23,268	69,868	74,910	5,042
Bond Mutual Funds	<u>268,885</u>	<u>264,206</u>	<u>(4,679)</u>	<u>115,499</u>	<u>112,041</u>	<u>(3,458)</u>
	<u>\$671,554</u>	<u>\$690,143</u>	<u>\$ 18,589</u>	<u>\$759,087</u>	<u>\$760,671</u>	<u>\$ 1,584</u>

Investment return is summarized as follows:

Investment income	\$ 33,186
Unrealized gain	<u>17,005</u>
Total investment return	<u>\$ 50,190</u>

Expenses relating to investment revenues including custodial fees amounted to \$7,481 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, 2007:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash	\$ 93,948	\$ 93,948	\$ -
Money Market Funds	572,966	572,966	-
Equity Mutual Funds	1,182,131	1,491,095	308,964
Bond Mutual Funds	<u>762,979</u>	<u>743,619</u>	<u>(19,360)</u>
	<u>\$2,612,024</u>	<u>\$2,901,628</u>	<u>\$ 289,604</u>

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

	<u>2007</u>	<u>2006</u>
Land	\$ 413,542	\$ 413,542
Buildings and improvements	3,602,178	3,563,123
Furniture and equipment	<u>1,615,252</u>	<u>1,607,887</u>
	5,630,972	5,584,552
Accumulated Depreciation	<u>(3,740,795)</u>	<u>(3,582,714)</u>
	<u>\$ 1,890,177</u>	<u>\$ 2,001,838</u>

Depreciation expense for the years ended June 30, 2007, and 2006, was \$158,082 and \$169,644, respectively.

4. 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 \$727,703 and \$695,719 at June 30, 2007, and 2006, respectively.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

5. 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, 2007 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2008	\$ 139,325
2009	41,190
2010	34,380
2011	30,000
2012	<u>30,000</u>
	<u>\$ 274,895</u>

The Organization paid rent of \$195,049 and \$196,791 for the years ended June 30, 2007 and 2006, respectively.

6. 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 \$157,667 and \$161,667 for the years ended June 30, 2007 and 2006, respectively.

7. Restrictions on Net Assets.

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2007</u>	<u>2006</u>
Specified by donors	\$ 23,625	\$ 35,677
Interest in net assets of foundation	<u>2,887,840</u>	<u>2,203,713</u>
	<u>\$ 2,911,465</u>	<u>\$ 2,239,390</u>

8. Cash Flow Information. The Organization had a noncash financing transaction relating to the purchase of building improvements of \$3,550 and \$5,000 for the years ended June 30, 2007 and 2006, respectively. Interest paid was \$0 and \$0 for the years ended June 30, 2007 and 2006, 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.
11. Line of Credit. The Organization had a \$50,000 revolving line of credit, of which \$50,000 was unused at June 30, 2007. Bank advances on the credit line are payable on demand and carry an interest rate of 8.25%. The credit line is secured by substantially all assets of the Organization.

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	2007
ASSETS			
Cash	\$ 38,926	\$ -	\$ 38,926
Investments	690,143	-	690,143
Receivables			
Grants	557,023	-	557,023
Program service fees, less allowance for doubtful accounts of \$12,000 in 2007	304,067	-	304,067
Miscellaneous	9,028	-	9,028
Prepaid expenses	6,609	-	6,609
Cash surrender value of life insurance	82,122	-	82,122
Cash surrender value of life insurance - Foundation	-	49,025	49,025
Cash and investments restricted for YSS Foundation	-	2,901,628	2,901,628
Land	413,542	-	413,542
Property and equipment, less accumulated depreciation	1,476,635	-	1,476,635
Total Assets	\$ 3,578,095	\$ 2,950,653	\$ 6,528,748
LIABILITIES			
Grant advances	\$ 86,333	\$ -	\$ 86,333
Deferred revenue	51,698	-	51,698
Client accounts	15,975	-	15,975
Accrued expenses			
Employee benefit plan	12,067	-	12,067
Vacation and holiday pay	255,476	-	255,476
Estimated state unemployment liability	727,703	-	727,703
Note payable	8,550	-	8,550
Annuities Payable - Foundation	-	55,000	55,000
Total Liabilities	1,157,802	55,000	1,212,802
INTERFUND BORROWINGS			
Due to general fund	-	34,359	34,359
Due (from) Foundation	-	(26,546)	(26,546)
Due (from) specified fund	(7,813)	-	(7,813)
Total Interfund Borrowings	(7,813)	7,813	-
NET ASSETS			
Unrestricted	2,404,481	-	2,404,481
Temporarily restricted	23,625	2,887,840	2,911,465
Total Net Assets	2,428,106	2,887,840	5,315,946
Total Liabilities and Net Assets	\$ 3,578,095	\$ 2,950,653	\$ 6,528,748

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	2007 Total
REVENUES AND OTHER SUPPORT					
Specified Donations	\$ -	\$ 46,510	\$ 46,510	\$ -	\$ 46,510
Grants	261,065	-	261,065	-	261,065
United Way	335,926	-	335,926	-	335,926
Fees and grants from Governmental Agencies	5,491,374	-	5,491,374	-	5,491,374
Program Service Fees	2,627,031	-	2,627,031	-	2,627,031
Investment return	50,190	-	50,190	-	50,190
Miscellaneous revenue	20,269	-	20,269	-	20,269
Youth & Shelter Services Foundation revenues	-	-	-	1,001,463	1,001,463
Net assets released from restrictions					
Restrictions satisfied by payments	375,898	(45,478)	330,420	(330,420)	-
Total Revenues and Other Support	9,161,753	1,032	9,162,785	671,043	9,833,828
EXPENSES					
Program Services					
Lighthouse/HUD Program	54,019	-	54,019	-	54,019
Family Foster Care	278,938	-	278,938	-	278,938
Family Counseling Center	392,657	-	392,657	-	392,657
Adoption	57,916	-	57,916	-	57,916
Rosedale Shelter House	564,458	-	564,458	-	564,458
Chemical Dependency Services - Residential	1,100,577	-	1,100,577	-	1,100,577
Chemical Dependency Services - Outpatient	235,557	-	235,557	-	235,557
Pre-Natal Care Boone	92,726	-	92,726	-	92,726
Substance Abuse Prevention	216,043	-	216,043	-	216,043
Community Youth & Family Development	94,311	-	94,311	-	94,311
Young Parents	293,452	-	293,452	-	293,452
YSS of Eastern Story County	74,147	-	74,147	-	74,147
YSS of Boone County	351,566	-	351,566	-	351,566
Hamilton County Youth & Family Center	281,849	-	281,849	-	281,849
Adolescent Pregnancy Prevention	46,085	-	46,085	-	46,085
YSS of Marshall County	594,220	-	594,220	-	594,220
Iowa Homeless Youth Center	1,071,942	-	1,071,942	-	1,071,942
Story Afterschool	303,032	-	303,032	-	303,032
Boone Afterschool	76,181	-	76,181	-	76,181
Marshall Afterschool	43,114	-	43,114	-	43,114
Hamilton Afterschool	41,288	-	41,288	-	41,288
Youth Employment	22,404	-	22,404	-	22,404
Transitional Living/Independent Living Project	62,947	-	62,947	-	62,947
Story Mentoring & Grip	129,694	-	129,694	-	129,694
Boone Mentoring & Grip	75,811	-	75,811	-	75,811
Tobacco Task Force	10,758	-	10,758	-	10,758
Tobacco	64,335	-	64,335	-	64,335
HIV/Aids	16,892	-	16,892	-	16,892
Story County Healthy Futures	155,196	-	155,196	-	155,196
Iowa Aftercare Services	1,193,507	-	1,193,507	-	1,193,507
Juvenile Community Services	28,664	-	28,664	-	28,664
Risky Business Conference	39,111	-	39,111	-	39,111
YSS Foundation	142,063	-	142,063	-	142,063
Supporting Activities					
General and Administrative	917,319	-	917,319	-	917,319
Fund Raising	191,345	-	191,345	-	191,345
Total Expenses	9,314,124	-	9,314,124	-	9,314,124
Increase (Decrease) in Net Assets	(152,371)	1,032	(151,339)	671,043	519,704
Net Assets at Beginning of Year	2,556,852	22,593	2,579,445	2,216,797	4,796,242
Net Assets at End of Year	\$ 2,404,481	\$ 23,625	\$ 2,428,106	\$ 2,887,840	\$ 5,315,946

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	2007	2006
Cities/Counties	\$ 324,577	\$ 283,027
Story County - Juvenile Court	277,812	273,250
Department of Human Services - Fees	372,761	365,296
Department of Human Services - Foster Care	54,968	78,234
Shelter Care Reimbursements - Counties	105,718	98,711
Department of Public Health - Prevention	84,833	83,691
Department of Public Health - Counties	20,116	17,975
Department of Public Health - Innovative	45,000	45,000
Department of Housing & Urban Development	693,606	694,286
Department of Education	51,908	47,555
Department of Health & Human Services - Runaway Center	119,464	115,264
Department of Health & Human Services - Runaway Outreach	90,351	104,446
Department of Health & Human Services - Transitional Living	187,131	197,928
Department of Health & Human Services - Compassion Fund	-	4,167
Department of Economic Development	58,810	55,000
Department of Human Rights - Family Development	298,362	279,753
Story County - State Incentive Grants	-	68,324
Department of Health & Human Services - Drug Free Communities	3,750	21,640
Department of Public Health - Gateway Addiction	54,000	46,000
Department of Human Services - Adolescent Pregnancy	46,111	48,889
FEMA	10,899	19,223
City of Des Moines - CDBG	95,359	91,397
Criminal and Juvenile Justice - School Based	2,622	24,097
Department of Human Rights - Decategorization	376,817	336,980
Department of Human Services - Pregnancy Prevention	24,300	25,932
Department of Public Health - HIV Prevention	11,016	20,804
Department of Public Health - Secondhand Smoke	13,672	15,100
Department of Public Health - Tobacco Prevention	34,860	33,832
Department of Public Health - Tobacco Use Prevention	71,284	67,384
Department of Public Health - Community Coalition	1,574	-
Department of Human Services - Iowa Aftercare	1,574,179	843,089
Governors Office of Drug Control Policy - E. Byrne Memorial	34,000	40,557
Department of Public Health - Youth Development Project	52,782	-
Department of Public Health - Drug & Violence Prevention	61,300	-
Department of Public Health - School Climate Initiative	-	63,357
Department of Justice - Healthy Futures	146,676	110,000
Iowa Finance Authority	1,250	5,625
Department of Education	62,376	-
Department of Education - Rural Youth Mentoring	27,130	159,498
Totals	\$ 5,491,374	\$ 4,785,311

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	Iowa Department of Public Health									
	Comprehensive Substance Abuse Prevention	Gateway Addiction Prevention	Youth Development Project	Drug & Violence Prevention	Youth Mentoring Program	HIV Prevention Project	Tobacco Use Prevention & Control	Tobacco Use Prevention & Control	Second Hand Smoke	
Revenues										
Iowa Department of Public Health	\$ 84,333	\$ 53,000	\$ 52,782	\$ 61,300	\$ 45,000	\$ 10,626	\$ 34,760	\$ 71,184	\$ 13,572	
Iowa Department of Public Health -										
Incentive	500	1,000	-	-	-	390	100	100	100	
County Government	5,700	-	-	-	3,369	-	-	-	-	
United Way	-	-	-	-	661	-	-	4,600	-	
Donations	-	-	-	-	1,695	-	-	-	-	
Other Revenue	-	-	-	-	-	-	-	-	-	
In-Kind	-	-	-	6,536	27,408	-	-	13,000	-	
Total Revenues	90,533	54,000	52,782	67,836	78,133	11,016	34,860	88,884	13,672	
Expenses										
Administration	8,341	-	3,169	6,126	4,164	582	-	7,736	2,976	
Salaries	53,985	35,033	25,052	25,558	38,003	6,599	19,607	44,146	-	
Personnel benefits	12,176	6,723	6,579	5,838	5,933	1,808	5,249	11,789	-	
Travel	2,888	1,208	-	-	572	620	1,199	1,097	346	
Staff training and education	1,005	-	61	6,175	262	479	695	1,091	-	
Contracted services	2,288	338	7,892	14,286	-	-	-	226	5,991	
Insurance	-	682	61	783	-	-	-	-	-	
Occupancy	1,816	5,625	-	-	317	-	631	5,303	-	
Supplies	6,790	1,692	5,694	2,534	850	372	1,933	1,980	4,359	
Telephone	1,020	2,572	800	-	624	556	4,394	2,451	-	
Equipment maintenance/rental	64	127	3,474	-	-	-	-	65	-	
Other expenses	160	-	-	6,536	27,408	-	1,152	13,000	-	
Total Expenses	90,533	54,000	52,782	67,836	78,133	11,016	34,860	88,884	13,672	
Total revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	Department of Human Rights
	FaDDS
Revenues	
Department of Human Rights	\$ 298,362
Other State	1,000
County Government	2,824
City Government	7,729
United Way	5,542
Donations	8,841
In-kind	18,661
<hr/>	
Total Revenues	342,959
Expenses	
Administration	30,606
Salaries	151,144
Personnel benefits	41,589
Travel	15,724
Staff training and education	2,115
Contracted services	
Family Resources	64,983
Audit	713
Legal	20
Computer	1,169
Staff Physicals	358
Insurance	1,903
Space Costs	
Rent/Utilities	7,566
Repairs & maintenance	5,935
Supplies	
Office supplies	2,436
Printing	755
Subscriptions	54
Special needs	2,479
Postage	1,155
Equipment maintenance and rental	1,257
Telephone	10,353
Other expenses	
Miscellaneous	10
Advertising & recruitment	82
Organization dues	553
<hr/>	
Total Expenses	342,959
<hr/>	
Total revenue over (under) expenses	\$ -
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YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	Iowa Aftercare Services #1	Iowa Aftercare Services #2	Iowa Aftercare Services PAL	Total
Revenues				
Department of Human Services	\$ 463,084	\$ 305,441	\$ 805,654	\$ 1,574,179
Total Revenues	463,084	305,441	805,654	1,574,179
Expenses				
Administration	30,852	13,105	49,226	93,183
Contracted services				
Youth and Shelter Services, Inc.	89,976	65,722	210,690	366,388
American Home Find	14,803	10,855	34,682	60,340
Boys and Girls Home	20,077	14,047	67,310	101,434
Children's Square	57,669	40,735	108,554	206,958
Foundation 2	51,080	34,226	27,978	113,284
Four Oaks	69,221	51,309	69,794	190,324
Youth Policy Institute	52,451	29,195	50,892	132,538
Young House Family	19,024	6,862	35,656	61,542
Youth Homes	-	935	38,156	39,091
Quakerdale	-	962	14,164	15,126
Horizons	13,372	10,291	49,651	73,314
Family Resource Center	44,559	27,197	48,901	120,657
Total Expenses	463,084	305,441	805,654	1,574,179
Total revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

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	IA26B302003	\$ 56,515
Transitional Living	14.235	IA26B302002	187,597
Transitional Living	14.235	IA26B002003	42,478
Transitional Living	14.235	SHPG2007006	93,504
Transitional Living	14.235	IA26B601004	60,760
Transitional Living	14.235	IA26B501016	107,048
Transitional Living	14.235	IA26B501015	126,447
Transitional Living	14.235	IA26B601003	19,257
Subtotal Direct Programs			693,606
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2007024	10,000
City of Des Moines	14.218	CDBG2006036	11,359
City of Des Moines	14.218	CDBG2006024	10,000
Total U.S. Department of Housing and Urban Development			724,965
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	H79SP11259-01	3,750
Drug Free Communities	93.276	CH9SP12127A	27,130
Runaway/Homeless Youth Grant	93.623	07CY0527-03	92,726
Runaway/Homeless Youth Grant	93.623	07CY0527-02	26,738
Transitional Living	93.550	07CX0496-05	136,248
Transitional Living	93.550	07CX0494-04	50,883
Street Outreach	93.557	07Y002602	21,315
Street Outreach	93.557	07Y002603	69,036
Subtotal Direct Programs			427,826
Pass-Through Program From: Iowa Department of Public Health			
Tobacco Prevention	93.283	5886TP03	34,760
HIV Prevention	93.940	5885AP05	10,626
Comprehensive Substance Abuse Prevention	93.959	5885CP01	77,987
FaDSS	93.558	FaDSS-076-23-FW	157,602
Total U.S. Department of Health and Human Services			708,801

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Program Expenditures
U.S. Department of Education:			
Pass-Through Program From: Iowa Department of Public Health			
Mentoring	84.186B		61,300
Total U.S. Department of Education			61,300
U.S. Department of Justice:			
Pass-Through Program From:			
Governor's Office of Drug Control Policies			
E. Byrne Memorial	16.579	06JAG-D28	34,000
Pass-Through Program From: Iowa Department of Justice			
Afterschool		CJJ04A50003	2,622
Total U.S. Department of Justice			36,622
U.S. Department of Homeland Security:			
FEMA	97.024		10,890
Total U.S. Department of Homeland Security			10,890
Total Expenditures of Federal Awards			\$ 1,542,578

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.

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

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

We have audited the consolidated financial statements of Youth and Shelter Services, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Youth and Shelter Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses, as defined above.

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*.

This report is intended solely for the information and use 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 that reads "Peterson & Houston P.C.".

Peterson & Houston, P.C.
Boone, Iowa

September 18, 2007

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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. (a nonprofit organization) 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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type o compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more tan a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, board of directors, management, others within the entity, 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

September 18, 2007

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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 control deficiencies 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 control deficiencies 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) Significant Deficiencies:
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).