

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

Year Ended June 30, 2008

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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, 2008 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 2007 financial statements and, in our report dated September 18, 2007, 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, 2008 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 22, 2008, 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 22, 2008

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008
(With Comparative Totals For June 30, 2007)

	2008	2007
ASSETS		
Cash	\$ 38,005	\$ 38,926
Investments	925,141	690,143
Receivables		
Grants	620,175	557,023
Program service fees, less allowance for doubtful accounts of \$9,000 in 2008 and \$12,000 in 2007	216,492	304,067
Miscellaneous	25,376	9,028
Prepaid expenses	3,633	6,609
Cash surrender value of life insurance	75,781	82,122
Cash surrender value of life insurance - Foundation	57,803	49,025
Cash and investments restricted for YSS Foundation	3,828,180	2,901,628
Land	413,542	413,542
Property and equipment, less accumulated depreciation	1,494,928	1,476,635
<hr/>		
Total Assets	\$ 7,699,056	\$ 6,528,748

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008
(With Comparative Totals For June 30, 2007)

	2008	2007
LIABILITIES		
Grant advances	\$ 36,983	\$ 86,333
Deferred revenue	194,102	51,698
Client accounts	16,242	15,975
Accrued expenses		
Employee benefit plan	9,935	12,067
Vacation and holiday pay	277,281	255,476
Estimated state unemployment liability	756,511	727,703
Note payable	19,039	8,550
Annuities payable - Foundation	54,000	55,000
Total Liabilities	1,364,093	1,212,802
INTERFUND BORROWINGS		
Due to general fund	33,792	34,359
Due (from) Foundation	(72,545)	(26,546)
Due to (from) specified fund	38,753	(7,813)
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	2,439,566	2,404,481
Temporarily restricted	3,895,397	2,911,465
Total Net Assets	6,334,963	5,315,946
Total Liabilities and Net Assets	\$ 7,699,056	\$ 6,528,748

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ 24,247	\$ 24,247	\$ 46,510
Grants	416,408	-	416,408	261,065
United Way	465,662	-	465,662	335,926
Fees and grants from Governmental Agencies	6,566,609	-	6,566,609	5,491,374
Program Service Fees	3,265,106	-	3,265,106	2,627,031
Investment return	9,373	-	9,373	50,190
Miscellaneous revenue	(25,458)	-	(25,458)	20,269
Youth & Shelter Services Foundation revenues	-	1,412,787	1,412,787	1,001,463
Net assets released from restrictions				
Restrictions satisfied by payments	453,102	(453,102)	-	-
Total Revenues and Other Support	11,150,802	983,932	12,134,734	9,833,828
EXPENSES				
Program Services				
Adolescent Pregnancy Prevention	52,041	-	52,041	46,085
Adoption	-	-	-	57,916
Boone Kids Club	67,430	-	67,430	76,181
Boone Mentoring & Grip	78,614	-	78,614	75,811
Chemical Dependency Services - Outpatient	269,475	-	269,475	235,557
Chemical Dependency Services - Residential	1,238,720	-	1,238,720	1,100,577
Community Youth & Family Development	110,048	-	110,048	94,311
Family Counseling Center	415,107	-	415,107	392,657
FFC/Adopt/Kids Net	397,215	-	397,215	278,938
Hamilton County Youth & Family Center	305,363	-	305,363	281,849
Hamilton Kids Club	54,165	-	54,165	41,288
HIV/Aids Prevention	-	-	-	16,892
Iowa Aftercare Services Network	2,123,377	-	2,123,377	1,193,507
Iowa Homeless Youth Center	1,382,318	-	1,382,318	1,071,942
Juvenile Community Treatment Services Network	221,011	-	221,011	28,664
Lighthouse/HUD Program	68,801	-	68,801	54,019
Marshall Kids Club	40,880	-	40,880	43,114
Pre-Natal Care Boone	-	-	-	92,726
Risky Business Conference	39,389	-	39,389	39,111
Rosedale Emergency Shelter	544,543	-	544,543	564,458
Story County Healthy Futures	171,149	-	171,149	155,196
Story Kids Club	295,104	-	295,104	303,032
Story Mentoring & Grip	141,495	-	141,495	129,694
Substance Abuse Prevention	152,863	-	152,863	216,043
Tobacco Comprehensive Prevention	69,818	-	69,818	64,335
Tobacco Task Force	18,394	-	18,394	10,758
Transitional Living/Independent Living Project	59,188	-	59,188	62,947
Young Parents	300,408	-	300,408	293,452
Youth Employment	23,954	-	23,954	22,404
YSS Foundation, Inc.	149,357	-	149,357	142,063
YSS of Boone County	333,857	-	333,857	351,566
YSS of Eastern Story County	61,354	-	61,354	74,147
YSS of Marshall County	658,979	-	658,979	594,220
Supporting Activities				
General and Administrative	1,076,641	-	1,076,641	917,319
Fund Raising	194,149	-	194,149	191,345
Total Expenses	11,115,207	-	11,115,207	9,314,124
Increase in Net Assets	35,595	983,932	1,019,527	519,704
Net Assets at Beginning of Year	2,403,971	2,911,465	5,315,436	4,795,732
Net Assets at End of Year	\$ 2,439,566	\$ 3,895,397	\$ 6,334,963	\$ 5,315,436

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	Adolescent Pregnancy Prevention	Boone Kids Club	Boone Mentoring & Grip	Chemical Dependency Services Outpatient	Chemical Dependency Services Residential	Community Youth & Family Development	Family Counseling Center	FFC/ Adopt/ Kids Net	Hamilton Co. Youth & Family Center	Hamilton Kids Club	Iowa Aftercare Services Network	Iowa Homeless Youth Center	Juvenile Community Treatment Services Network	Lighthouse/ HUD Program	Marshall Kids Club	Risky Business Conference
Compensation and Related Expenses																
Compensation	\$ 29,943	\$ 46,666	\$ 59,489	\$ 191,795	\$ 741,930	\$ 69,494	\$ 274,254	\$ 176,056	\$ 182,301	\$ 37,881	\$ -	\$ 639,747	\$ -	\$ 32,781	\$ 29,167	\$ 8,652
Employee benefits																
Medical	2,348	2,740	4,403	22,827	69,507	5,165	28,255	19,606	14,262	4,291	-	52,085	-	2,649	1,285	-
Other	1,130	1,631	1,985	8,792	32,279	2,743	16,088	8,656	7,068	1,285	-	24,763	-	1,422	749	-
Payroll taxes	2,706	4,130	5,108	16,242	62,971	4,653	23,450	15,463	15,850	3,491	-	53,918	-	2,035	2,506	619
Total Compensation and Related Expenses	36,127	55,167	70,985	239,656	906,687	82,055	342,047	219,781	219,481	46,948	-	770,513	-	38,887	33,707	9,271
Conferences	330	158	175	1,087	9,921	1,731	934	575	185	129	-	3,406	-	-	84	-
Dues	62	120	111	365	7,080	138	596	545	506	62	-	1,807	-	-	73	2,792
Food	-	2,652	-	-	51,616	-	-	-	-	1,553	-	2,203	-	-	1,817	8,800
Insurance																
Property	203	-	82	313	2,702	27	1,045	523	562	-	-	4,633	-	447	-	-
Other	78	267	247	810	3,591	174	1,322	1,206	845	137	-	4,117	-	-	159	-
Workmans comp	392	513	611	2,818	17,202	721	2,519	2,688	2,991	409	-	9,465	-	488	271	-
Equipment maintenance & repair	-	-	-	835	13,806	1,104	2,422	10,897	6,759	-	-	18,363	-	640	-	1,734
Miscellaneous	21	287	63	71	7,853	256	1,011	2,615	677	-	-	46,460	-	225	-	701
Occupancy																
Rent	1,347	-	559	-	-	-	-	-	-	-	-	44,576	-	14,796	-	5,263
Utilities	-	-	-	625	22,461	1,380	2,101	1,048	2,698	-	-	38,013	-	2,276	-	-
Repairs & maintenance	-	-	-	1,137	55,979	2,598	4,313	2,108	1,792	-	-	12,907	-	1,350	-	-
Postage	151	241	249	734	2,711	35	1,197	1,249	766	125	-	3,132	-	390	144	700
Printing	110	142	72	280	3,062	2,269	817	685	1,826	88	-	12,847	-	86	55	1,833
Professional fees	8,354	496	1,006	3,359	26,290	6,133	2,691	2,688	1,404	255	2,123,377	9,855	221,011	252	294	5,050
Public relations	72	-	-	-	2,385	-	-	-	-	-	-	-	-	-	-	-
Specific assistance	361	-	-	-	3,630	-	396	114,571	27,840	-	-	280,114	-	1,559	-	-
Subscriptions	-	-	-	73	710	191	103	50	46	-	-	267	-	-	-	-
Activities & Supplies	265	4,737	261	99	10,716	2,363	182	91	568	1,366	-	12,153	-	1,164	1,945	-
Office supplies	646	602	774	2,015	14,722	839	4,170	3,981	2,322	258	-	16,379	-	510	334	-
Telephone	1,578	937	1,797	3,955	42,554	2,354	15,001	6,826	8,974	905	-	30,292	-	2,484	754	-
Travel & transportation	1,944	1,111	1,622	2,955	17,729	1,205	21,223	18,803	19,977	1,930	-	45,359	-	1,268	1,243	2,745
Uncollectible fees	-	-	-	-	163	-	3,559	6,241	1,006	-	-	-	-	-	-	-
Depreciation	-	-	-	8,288	15,150	4,475	7,458	44	4,138	-	-	15,457	-	1,979	-	500
Totals	\$ 52,041	\$ 67,430	\$ 78,614	\$ 269,475	\$ 1,238,720	\$ 110,048	\$ 415,107	\$ 397,215	\$ 305,363	\$ 54,165	\$ 2,123,377	\$ 1,382,318	\$ 221,011	\$ 68,801	\$ 40,880	\$ 39,389

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

Rosedale Emergency Shelter House	Story County Healthy Futures	Story Kids Club	Story Mentoring & Grip	Substance Abuse Prevention	Tobacco Comprehensive Prevention	Tobacco Task Force	Transitional Living/ Independent Living Project	Young Parents	Youth Employment	YSS Foundation, Inc.	YSS of Boone County	YSS of Eastern Story County	YSS of Marshall County	Total Program	General and Administrative	Fund Raising	2008 Total Program and Support Service Expenses	2007 Totals
\$ 338,359	\$ 64,157	\$ 197,202	\$ 90,678	\$ 103,571	\$ 45,518	\$ -	\$ 16,913	\$ 160,473	\$ 15,497	\$ 40,702	\$ 192,349	\$ 34,529	\$ 333,517	\$ 4,153,621	\$ 703,057	\$ 136,952	\$ 4,993,630	\$ 4,642,759
39,595	8,429	13,377	5,268	11,726	3,203	-	1,673	16,818	1,272	-	12,279	3,340	30,110	376,513	36,171	27,390	440,074	405,491
13,850	3,487	6,587	3,171	5,365	1,390	-	506	6,874	590	2,368	7,562	3,308	13,149	176,798	23,815	-	200,613	199,061
29,213	5,936	17,098	7,607	9,271	4,112	-	1,189	14,593	1,287	3,064	15,118	3,057	24,521	349,208	55,817	10,956	415,981	388,386
421,017	82,009	234,264	106,724	129,933	54,223	-	20,281	198,758	18,646	46,134	227,308	44,234	401,297	5,056,140	818,860	175,298	6,050,298	5,635,697
150	684	839	224	1,733	2,396	-	20	857	17	387	364	51	2,346	28,783	3,872	-	32,655	39,244
910	-	482	436	1,128	228	-	-	508	35	314	995	634	1,845	21,772	12,187	-	33,959	26,978
19,441	-	13,569	-	118	431	-	-	-	35	15,926	-	-	2,076	120,237	-	-	120,237	113,007
804	270	208	117	627	-	-	100	1,500	208	-	2,280	442	2,844	19,937	6,173	-	26,110	27,083
2,016	1,060	918	455	432	400	-	206	687	78	-	1,235	232	1,879	22,551	6,812	-	29,363	31,332
4,577	1,256	2,027	1,010	964	454	-	225	2,491	33	-	2,617	954	4,796	62,492	7,641	-	70,133	76,612
7,621	2,685	795	221	-	410	-	-	1,567	411	-	2,782	504	7,939	81,495	35,679	-	117,174	80,224
3,163	-	1,323	-	-	-	-	64	267	-	1,387	515	601	5,364	72,924	9,715	-	82,639	65,749
-	-	-	-	-	-	-	23,967	4,950	-	-	6,538	-	86,488	188,484	2,906	-	191,390	195,049
-	465	419	210	-	503	-	6,871	1,634	417	-	4,455	1,701	21,340	108,617	12,177	-	120,794	127,367
19,585	1,239	1,244	248	841	930	-	1,566	1,813	705	562	11,587	2,352	9,864	134,720	22,216	-	156,936	144,520
-	1,143	841	544	774	221	-	86	1,091	72	410	1,071	163	1,773	20,013	3,119	5,713	28,845	33,993
1,199	776	808	395	313	1,492	-	104	723	27	43,204	2,867	721	5,987	82,788	1,545	13,138	97,471	94,640
24,581	68,168	1,577	19,945	1,775	2,339	6,963	891	48,215	145	2,036	23,853	396	10,132	2,623,531	21,050	-	2,644,581	1,562,052
206	-	-	-	4,718	503	10,789	-	-	-	23,545	-	-	221	42,439	-	-	42,439	25,839
432	150	-	1,030	-	400	-	1,073	2,074	-	15,186	1,279	-	17,682	467,777	-	-	467,777	231,013
17	21	21	9	-	-	-	4	82	21	-	117	4	339	2,075	629	-	2,704	1,707
5,429	2,415	21,136	1,164	462	875	-	188	117	417	-	341	130	6,994	75,578	1,687	-	77,265	128,866
6,473	1,041	3,271	1,286	1,520	644	-	104	2,240	169	-	3,874	537	7,824	76,535	7,212	-	83,747	81,615
10,902	3,804	5,875	2,456	2,082	1,695	-	2,502	9,434	523	201	15,059	4,613	17,981	195,538	29,887	-	225,425	201,929
5,079	2,276	3,995	3,755	5,064	1,674	642	642	14,934	503	65	19,587	2,156	34,309	233,795	12,084	-	245,879	218,623
3,656	-	-	-	-	-	-	-	-	-	-	188	-	1,917	16,730	-	-	16,730	12,903
7,285	1,687	1,492	1,266	379	-	-	294	6,466	1,492	-	4,945	929	5,742	89,466	61,190	-	150,656	158,082
\$ 544,543	\$ 171,149	\$ 295,104	\$ 141,495	\$ 152,863	\$ 69,818	\$ 18,394	\$ 59,188	\$ 300,408	\$ 23,954	\$ 149,357	\$ 333,857	\$ 61,354	\$ 658,979	\$ 9,844,417	\$ 1,076,641	\$ 194,149	\$ 11,115,207	\$ 9,314,124

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,019,527	\$ 519,704
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	150,656	158,082
Unrealized (gain) loss on investments	33,617	(17,005)
Repairs paid directly by lender	9,909	-
(Increase) Decrease in operating assets		
Grants receivable	(62,002)	(46,415)
Program service fees receivable	87,575	(115,917)
Miscellaneous receivables	(16,348)	(5,902)
Prepaid expenses	2,976	24,258
Increase (Decrease) in operating liabilities		
Annuities payable	(1,000)	(1,000)
Grant advances	(49,350)	60,852
Deferred revenue	142,404	41,698
Client accounts	267	(4,704)
Accrued employee benefit plan	(2,132)	2,139
Accrued vacation and holiday pay	21,805	10,986
Accrued estimated state unemployment liability	28,808	31,984
Restricted contributions	(24,247)	(46,510)
Net Cash Provided by Operating Activities	1,342,465	612,250
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	(268,546)	101,789
(Purchases) sales of investments restricted to YSS Foundation, net	(926,552)	(700,110)
Payments for property and equipment	(168,948)	(42,871)
Increase in cash surrender value of life insurance	(2,437)	(20,725)
Net Cash (Used) by Investing Activities	(1,366,483)	(661,917)
CASH FLOWS FROM FINANCING ACTIVITIES		
Specified donations collections	24,247	46,510
Net Cash Provided by Financing Activities	24,247	46,510
Net Increase (Decrease) in Cash and Cash Equivalents	229	(3,157)
Cash and Cash Equivalents at Beginning of Year	38,926	42,083
Cash and Cash Equivalents at End of Year	\$ 39,155	\$ 38,926

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, 2007, 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 \$925,141 and \$690,143 at June 30, 2008 and 2007, 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, 2008			June 30, 2007		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money Market Funds	\$454,830	\$454,830	\$ -	\$255,481	\$255,481	\$ -
Equity Mutual Funds	148,545	135,059	(13,486)	147,188	170,456	23,268
Bond Mutual Funds	<u>336,794</u>	<u>335,252</u>	<u>(1,542)</u>	<u>268,885</u>	<u>264,206</u>	<u>(4,679)</u>
	<u>\$940,169</u>	<u>\$925,141</u>	<u>\$ (15,028)</u>	<u>\$671,554</u>	<u>\$690,143</u>	<u>\$ 18,589</u>

Investment return is summarized as follows:

Investment income	\$ 42,990
Unrealized loss	<u>(33,617)</u>
Total investment return	<u>\$ 9,373</u>

Expenses relating to investment revenues including custodial fees amounted to \$9,188 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, 2008:

	Cost	Fair Value	Unrealized Appreciation
Cash	\$ 73,173	\$ 73,173	\$ -
Money Market Funds	610,742	610,742	-
Equity Mutual Funds	1,869,247	1,857,317	(11,930)
Bond Mutual Funds	<u>1,296,036</u>	<u>1,286,948</u>	<u>(9,088)</u>
	<u>\$3,849,198</u>	<u>\$3,828,180</u>	<u>\$ (21,018)</u>

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

	2008	2007
Land	\$ 413,542	\$ 413,542
Buildings and improvements	3,602,178	3,602,178
Furniture and equipment	<u>1,784,200</u>	<u>1,615,252</u>
	5,799,920	5,630,972
Accumulated Depreciation	<u>(3,891,450)</u>	<u>(3,740,795)</u>
	<u>\$ 1,908,470</u>	<u>\$ 1,890,177</u>

Depreciation expense for the years ended June 30, 2008, and 2007, was \$150,656 and \$158,082, 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 \$756,511 and \$727,703 at June 30, 2008, and 2007, 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, 2008 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2009	\$ 147,000
2010	48,670
2011	37,800
2012	38,400
2013	<u>23,400</u>
	<u>\$ 295,270</u>

The Organization paid rent of \$191,390 and \$195,049 for the years ended June 30, 2008 and 2007, 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 \$163,825 and \$157,667 for the years ended June 30, 2008 and 2007, respectively.
7. Notes Payable. Notes payable of \$19,039 at June 30, 2008, and are noninterest bearing forgivable loans from the City of Ames used for building repairs. 20% of the original loans is forgiven each year for five years as long as the buildings repaired are not sold. Future amounts of the loans forgiven totals \$4,692 in 2009, 2010 and 2011; \$2,982 in 2012; and \$1,981 in 2013.
8. Restrictions on Net Assets.

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

	<u>2008</u>	<u>2007</u>
Specified by donors	\$ 24,661	\$ 23,625
Interest in net assets of foundation	<u>3,870,736</u>	<u>2,887,840</u>
	<u>\$ 3,895,397</u>	<u>\$ 2,911,465</u>

9. Cash Flow Information. The Organization had noncash financing transactions relating to repairs of a building and improvements of \$9,909 and \$3,550 for the years ended June 30, 2008 and 2007, respectively. Interest paid was \$0 and \$0 for the years ended June 30, 2008 and 2007, respectively.
10. 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.
11. Net Client Service Revenue. Client service revenue is reported at the estimated realizable amounts from clients, third party payors and others for services rendered.
12. Subsequent Event. The Organization has signed an option to purchase a building in Ames, Iowa for \$1,044,000. If the option is exercised, the proposed closing date is July 1, 2009.

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	2008
ASSETS			
Cash	\$ 38,005	\$ -	\$ 38,005
Investments	925,141	-	925,141
Receivables			
Grants	620,175	-	620,175
Program service fees, less allowance for doubtful accounts of \$9,000 in 2008	216,492	-	216,492
Miscellaneous	25,376	-	25,376
Prepaid expenses	3,633	-	3,633
Cash surrender value of life insurance	75,781	-	75,781
Cash surrender value of life insurance - Foundation	-	57,803	57,803
Cash and investments restricted for YSS Foundation	-	3,828,180	3,828,180
Land	413,542	-	413,542
Property and equipment, less accumulated depreciation	1,494,928	-	1,494,928
Total Assets	\$ 3,813,073	\$ 3,885,983	\$7,699,056
LIABILITIES			
Grant advances	\$ 36,983	\$ -	\$ 36,983
Deferred revenue	194,102	-	194,102
Client accounts	16,242	-	16,242
Accrued expenses			
Employee benefit plan	9,935	-	9,935
Vacation and holiday pay	277,281	-	277,281
Estimated state unemployment liability	756,511	-	756,511
Note payable	19,039	-	19,039
Annuities Payable - Foundation	-	54,000	54,000
Total Liabilities	1,310,093	54,000	1,364,093
INTERFUND BORROWINGS			
Due to general fund	-	33,792	33,792
Due (from) Foundation	-	(72,545)	(72,545)
Due (from) specified fund	38,753	-	38,753
Total Interfund Borrowings	38,753	(38,753)	-
NET ASSETS			
Unrestricted	2,439,566	-	2,439,566
Temporarily restricted	24,661	3,870,736	3,895,397
Total Net Assets	2,464,227	3,870,736	6,334,963
Total Liabilities and Net Assets	\$ 3,813,073	\$ 3,885,983	\$7,699,056

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	2008 Total
REVENUES AND OTHER SUPPORT					
Specified Donations	\$ -	\$ 24,247	\$ 24,247	\$ -	\$ 24,247
Grants	416,408	-	416,408	-	416,408
United Way	465,662	-	465,662	-	465,662
Fees and grants from Governmental Agencies	6,566,609	-	6,566,609	-	6,566,609
Program Service Fees	3,265,106	-	3,265,106	-	3,265,106
Investment return	9,373	-	9,373	-	9,373
Miscellaneous revenue	(25,458)	-	(25,458)	-	(25,458)
Youth & Shelter Services Foundation revenues	-	-	-	1,412,787	1,412,787
Net assets released from restrictions					
Restrictions satisfied by payments	453,102	(23,211)	429,891	(429,891)	-
Total Revenues and Other Support	11,150,802	1,036	11,151,838	982,896	12,134,734
EXPENSES					
Program Services					
Adolescent Pregnancy Prevention	52,041	-	52,041	-	52,041
Boone Kids Club	67,430	-	67,430	-	67,430
Boone Mentoring & Grip	78,614	-	78,614	-	78,614
Chemical Dependency Services - Outpatient	269,475	-	269,475	-	269,475
Chemical Dependency Services - Residential	1,238,720	-	1,238,720	-	1,238,720
Community Youth & Family Development	110,048	-	110,048	-	110,048
Family Counseling Center	415,107	-	415,107	-	415,107
FFC/Adopt/Kids Net	397,215	-	397,215	-	397,215
Hamilton County Youth & Family Center	305,363	-	305,363	-	305,363
Hamilton Kids Club	54,165	-	54,165	-	54,165
Iowa Aftercare Services Network	2,123,377	-	2,123,377	-	2,123,377
Iowa Homeless Youth Center	1,382,318	-	1,382,318	-	1,382,318
Juvenile Community Treatment Services Network	221,011	-	221,011	-	221,011
Lighthouse/HUD Program	68,801	-	68,801	-	68,801
Marshall Kids Club	40,880	-	40,880	-	40,880
Risky Business Conference	39,389	-	39,389	-	39,389
Rosedale Emergency Shelter	544,543	-	544,543	-	544,543
Story County Healthy Futures	171,149	-	171,149	-	171,149
Story Kids Club	295,104	-	295,104	-	295,104
Story Mentoring & Grip	141,495	-	141,495	-	141,495
Substance Abuse Prevention	152,863	-	152,863	-	152,863
Tobacco Comprehensive Prevention	69,818	-	69,818	-	69,818
Tobacco Task Force	18,394	-	18,394	-	18,394
Transitional Living/Independent Living Project	59,188	-	59,188	-	59,188
Young Parents	300,408	-	300,408	-	300,408
Youth Employment	23,954	-	23,954	-	23,954
YSS Foundation, Inc.	149,357	-	149,357	-	149,357
YSS of Boone County	333,857	-	333,857	-	333,857
YSS of Eastern Story County	61,354	-	61,354	-	61,354
YSS of Marshall County	658,979	-	658,979	-	658,979
Supporting Activities					
General and Administrative	1,076,641	-	1,076,641	-	1,076,641
Fund Raising	194,149	-	194,149	-	194,149
Total Expenses	11,115,207	-	11,115,207	-	11,115,207
Increase (Decrease) in Net Assets	35,595	1,036	36,631	982,896	1,019,527
Net Assets at Beginning of Year	2,403,971	23,625	2,427,596	2,887,840	5,315,436
Net Assets at End of Year	\$ 2,439,566	\$ 24,661	\$ 2,464,227	\$ 3,870,736	\$ 6,334,963

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	2008	2007
Cities/Counties	\$ 308,628	\$ 324,577
Story County - Juvenile Court	266,457	277,812
Department of Human Services - Fees	368,891	372,761
Department of Human Services - Foster Care	-	54,968
Shelter Care Reimbursements - Counties	74,770	105,718
Department of Public Health - Prevention	83,691	84,833
Department of Public Health - Counties	20,342	20,116
Department of Public Health - Innovative	47,000	45,000
Department of Housing & Urban Development	695,443	693,606
Department of Education	52,141	51,908
Department of Health & Human Services - Runaway Center	117,881	119,464
Department of Health & Human Services - Runaway Outreach	126,036	90,351
Department of Health & Human Services - Transitional Living	167,861	187,131
Department of Economic Development	-	58,810
Department of Human Rights - Family Development	302,955	298,362
Department of Health & Human Services - Drug Free Communities	1,250	3,750
Department of Public Health - Gateway Addiction	53,000	54,000
Department of Human Services - Adolescent Pregnancy	43,333	46,111
FEMA	11,261	10,899
City of Des Moines - CDBG	168,573	95,359
Criminal and Juvenile Justice - School Based	6,614	2,622
Department of Human Rights - Decategorization	233,623	376,817
Department of Human Services - Pregnancy Prevention	22,033	24,300
Department of Public Health - HIV Prevention	-	11,016
Department of Public Health - Secondhand Smoke	15,350	13,672
Department of Public Health - Tobacco Prevention	33,532	34,860
Department of Public Health - Tobacco Use Prevention	72,434	71,284
Department of Public Health - Community Coalition	-	1,574
Department of Human Services - Iowa Aftercare	3,005,741	1,574,179
Governors Office of Drug Control Policy - E. Byrne Memorial	40,243	34,000
Department of Public Health - Youth Development Project	53,000	52,782
Department of Public Health - Drug & Violence Prevention	-	61,300
Department of Public Health - School Climate Initiative	3,750	-
Department of Justice - Healthy Futures	170,776	146,676
Iowa Finance Authority	-	1,250
Department of Education	-	62,376
Department of Education - Rural Youth Mentoring	-	27,130
Totals	\$ 6,566,609	\$ 5,491,374

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Iowa Department of Public Health								
	Comprehensive Substance Abuse Prevention	Prevention Through Mentoring	Youth Development Project	JEL Chapter Grants	Youth Mentoring Program	Tobacco Use Prevention & Control	Tobacco Use Prevention & Control	Second Hand Smoke	
Revenues									
Iowa Department of Public Health	\$ 83,691	\$ 53,000	\$ 53,000	\$ 4,000	\$ 47,000	\$ 33,532	\$ 72,184	\$ 15,000	
Iowa Department of Public Health -									
Incentive	-	-	-	200	-	-	250	350	
Other State	-	-	-	-	59	-	-	-	
County Government	-	-	-	-	5,000	-	-	-	
United Way	-	-	-	-	-	-	906	-	
Donations	-	-	-	-	18,441	-	-	-	
Other Revenue									
In-Kind	-	-	-	-	-	-	15,914	-	
Total Revenues	83,691	53,000	53,000	4,200	70,500	33,532	89,254	15,350	
Expenses									
Administration	6,506	6,900	6,497	-	7,918	488	8,517	4,270	
Salaries	54,701	32,313	28,352	1,580	47,035	19,822	43,834	-	
Personnel benefits	14,621	6,478	8,904	143	8,590	5,293	9,016	-	
Travel	300	972	1,484	483	1,621	822	1,192	642	
Staff training and education	245	-	-	245	175	-	2,151	-	
Contracted services	1,277	1,530	5,400	-	1,006	-	817	6,962	
Insurance	-	142	-	-	247	-	400	-	
Occupancy	2,495	826	-	-	641	-	1,432	-	
Supplies	2,353	2,913	2,363	1,749	1,359	2,007	3,356	3,476	
Telephone	1,193	755	-	-	1,797	4,615	1,693	-	
Equipment maintenance/rental	-	171	-	-	-	-	410	-	
Other expenses	-	-	-	-	111	485	16,436	-	
Total Expenses	83,691	53,000	53,000	4,200	70,500	33,532	89,254	15,350	
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, 2008

	Department of Human Rights
	<u>FaDDS</u>
Revenues	
Department of Human Rights	\$ 302,955
Other State	1,638
County Government	2,442
City Government	6,355
United Way	8,152
Donations	1,249
In-kind	27,200
Total Revenues	349,991
Expenses	
Administration	30,481
Salaries	159,584
Personnel benefits	40,597
Travel	14,300
Staff training and education	1,191
Contracted services	
Family Resources	73,500
Audit	333
Computer	635
Staff Physicals	401
Insurance	1,812
Space Costs	
Rent/Utilities	9,808
Repairs & maintenance	4,339
Supplies	
Office supplies	2,664
Printing	723
Household	114
Subscriptions	67
Special needs	1,157
Postage	850
Telephone	6,746
Other expenses	
Advertising & recruitment	244
Organization dues	445
Total Expenses	349,991
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, 2008

	Iowa Aftercare Services #1	Iowa Aftercare Services #2	Iowa Aftercare Services PAL	Total
Revenues				
Department of Human Services	\$ 336,916	\$ 472,480	\$ 2,196,345	\$ 3,005,741
Total Revenues	336,916	472,480	2,196,345	3,005,741
Expenses				
Administration	14,457	39,317	113,681	167,455
Contracted services				
Youth and Shelter Services, Inc.	62,409	118,002	610,149	790,560
American Home Finding	8,909	7,899	59,883	76,691
Boys and Girls Home	12,510	19,057	187,976	219,543
Children's Square	46,032	52,700	244,770	343,502
Francis Lauer	1,400	7,256	35,575	44,231
Foundation 2	29,065	31,808	122,709	183,582
Four Oaks	87,001	69,081	326,566	482,648
Youth Policy Institute	37,780	66,346	87,200	191,326
Children & Families of Iowa	384	7,253	20,577	28,214
Quakerdale	540	-	47,577	48,117
Young House	16,291	29,403	81,620	127,314
Youth Homes of Mid America	636	-	139,844	140,480
Horizons	2,892	-	21,198	24,090
Family Resources, Inc.	16,610	24,358	97,020	137,988
Total Expenses	336,916	472,480	2,196,345	3,005,741
Total revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	\$ 56,597
Transitional Living	14.235	SHPG2007006	93,505
Transitional Living	14.235	SHPG2004005	40,510
Transitional Living	14.235	SHPG2007006	187,009
Transitional Living	14.235	IA26B601004	128,910
Transitional Living	14.235	IA26B701002	19,578
Transitional Living	14.235	IA26B701003	60,134
Transitional Living	14.235	IA26B601003	109,200
Subtotal Direct Programs			695,443
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2007024	10,000
City of Des Moines	14.218	HESG2008011	12,000
City of Des Moines	14.218	CDBG2008024	10,000
City of Des Moines	14.231	HESG2007011	12,000
City of Des Moines	14.231	06-II-77016	32,000
City of Des Moines	14.231	06-II-77191	32,000
Boone County	14.231	08-II-8009	17,889
Story County	14.231	08-II-85019	19,628
Marshall County	14.231	08-II-64009	23,056
Total U.S. Department of Housing and Urban Development			864,016
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	H79SP11259-01	1,250
Runaway/Homeless Youth Grant	93.623	07CY0527-03	25,014
Runaway/Homeless Youth Grant	93.623	07CY0548-01	92,867
Transitional Living	93.550	07CX0508-01	104,109
Transitional Living	93.550	07CX0496-05	63,752
Street Outreach	93.557	07Y003601	18,750
Street Outreach	93.557	07Y003801	76,322
Street Outreach	93.557	07Y002603	30,964
Subtotal Direct Programs			413,028

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Program Expenditures
Pass-Through Program From: Iowa Department of Public Health			
Tobacco Prevention	93.283	5886TP03	33,532
Comprehensive Substance Abuse Prevention	93.959	5885CP01	77,966
FaDSS	93.558	FaDSS-076-23-FW	163,596
Total U.S. Department of Health and Human Services			688,122
U.S. Department of Justice:			
Pass-Through Program From:			
Governor's Office of Drug Control Policies			
E. Byrne Memorial	16.579	06JAG-D28	40,243
Total U.S. Department of Justice			40,243
U.S. Department of Homeland Security:			
FEMA	97.024		11,261
Total U.S. Department of Homeland Security			11,261
Total Expenditures of Federal Awards			\$ 1,603,642

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, 2008, and have issued our report thereon dated September 22, 2008. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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*.

We noted certain matters that we reported to management of Youth and Shelter Services, Inc. in a separate letter dated September 22, 2008.

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 22, 2008

PETERSON & HOUSTON, P.C.
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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, 2008. 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, 2008.

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 of 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 than 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 22, 2008

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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).