

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

Year Ended June 30, 2010

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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, 2010 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 2009 financial statements and, in our report dated September 25, 2009, 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, 2010 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 24, 2010, 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.

Houston & Seeman, P.C.

Peterson & Houston, P.C.
Boone, Iowa

September 24, 2010



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YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(With Comparative Totals For June 30, 2009)

	2010	2009
ASSETS		
Cash	\$ 38,970	\$ 45,404
Investments	1,145,537	1,290,117
Receivables		
Grants	570,688	465,443
Program service fees, less allowance for doubtful accounts of \$9,000 in 2010 and \$9,000 in 2009	364,039	170,548
Miscellaneous	19,696	3,803
Other assets	53,700	-
Prepaid expenses	12,371	12,406
Cash surrender value of life insurance	53,612	63,461
Cash surrender value of life insurance - Foundation	67,573	65,711
Cash and investments restricted for YSS Foundation	4,390,275	3,609,490
Unconditional promises to give - Foundation	584,083	545,073
Land	847,942	847,942
Property and equipment, less accumulated depreciation	2,445,834	1,952,549
Total Assets	\$ 10,594,320	\$ 9,071,947

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(With Comparative Totals For June 30, 2009)

	2010	2009
LIABILITIES		
Grant advances	\$ 43,633	\$ 39,668
Deferred revenue	534,626	289,465
Client accounts	17,172	20,123
Accrued expenses		
Employee benefit plan	9,789	12,014
Vacation and holiday pay	310,746	289,529
Estimated state unemployment liability	857,903	807,906
Note payable	9,655	14,347
Note payable - Bankers Trust - Foundation	-	831,299
Annuities payable - Foundation	46,000	52,000
Total Liabilities	1,829,524	2,356,351
INTERFUND BORROWINGS		
Due to general fund	289,401	34,797
Due (from) Foundation	(285,168)	(21,369)
Due to (from) specified fund	(4,233)	(13,428)
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	4,027,235	3,375,310
Temporarily restricted	4,737,561	3,340,286
Total Net Assets	8,764,796	6,715,596
Total Liabilities and Net Assets	\$ 10,594,320	\$ 9,071,947

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ 29,244	\$ 29,244	\$ 31,098
Grants	379,419	-	379,419	347,300
United Way	452,629	-	452,629	372,275
Fees and grants from Governmental Agencies	7,842,803	-	7,842,803	7,353,560
Program Service Fees	3,716,800	-	3,716,800	3,931,505
Investment return	55,739	-	55,739	(22,342)
Miscellaneous revenue	49,385	-	49,385	19,432
Youth & Shelter Services Foundation revenues	-	2,743,212	2,743,212	974,338
Net assets released from restrictions				
Restrictions satisfied by payments	1,375,181	(1,375,181)	-	-
Total Revenues and Other Support	13,871,956	1,397,275	15,269,231	13,007,166
EXPENSES				
Program Services				
Adolescent Pregnancy Prevention	114,811	-	114,811	80,671
Boone Kids Club	68,604	-	68,604	55,129
Boone Mentoring & Grip	83,680	-	83,680	81,262
Chemical Dependency Services - Outpatient	275,587	-	275,587	261,961
Chemical Dependency Services - Residential	1,299,259	-	1,299,259	1,282,003
Community Youth & Family Development	104,180	-	104,180	108,647
Family Counseling Center	356,240	-	356,240	464,344
FFC/Adopt/Kids Net	597,458	-	597,458	526,296
Hamilton County Youth & Family Center	368,463	-	368,463	314,668
Hamilton Kids Club	-	-	-	33,661
Boone County Transitional Living/Lighthouse	108,988	-	108,988	-
Iowa Aftercare Services Network	3,107,042	-	3,107,042	2,656,607
Iowa Homeless Youth Center	1,526,510	-	1,526,510	1,570,736
Juvenile Community Treatment Services Network	152,202	-	152,202	275,009
Lighthouse/HUD Program	56,117	-	56,117	61,386
Marshall Kids Club	42,916	-	42,916	39,419
Risky Business Conference	44,862	-	44,862	37,937
Rosedale Emergency Shelter House	604,396	-	604,396	566,711
Story County Healthy Futures	171,320	-	171,320	187,779
Story Kids Club	315,258	-	315,258	312,048
Story Mentoring & Grip	118,201	-	118,201	114,268
Substance Abuse Prevention	268,410	-	268,410	225,135
Tobacco Comprehensive Prevention	64,985	-	64,985	71,482
Story County Transitional Living/Lighthouse	78,602	-	78,602	73,559
Young Parents	274,253	-	274,253	312,741
Youth Employment	24,811	-	24,811	28,316
YSS Foundation, Inc.	149,924	-	149,924	147,040
YSS of Boone County	397,682	-	397,682	403,297
YSS of Eastern Story County	80,595	-	80,595	83,303
YSS of Marshall County	833,476	-	833,476	810,870
Family Life Center	112,808	-	112,808	-
Supporting Activities				
General and Administrative	1,155,677	-	1,155,677	1,167,951
Fund Raising	262,714	-	262,714	272,297
Total Expenses	13,220,031	-	13,220,031	12,626,533
Increase in Net Assets	651,925	1,397,275	2,049,200	380,633
Net Assets at Beginning of Year	3,375,310	3,340,286	6,715,596	6,334,963
Net Assets at End of Year	\$ 4,027,235	\$ 4,737,561	\$ 8,764,796	\$ 6,715,596

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	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	Boone County Transitional Living/ Lighthouse	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	\$ 62,219	\$ 48,071	\$ 64,607	\$ 181,491	\$ 762,628	\$ 54,129	\$ 224,812	\$ 293,391	\$ 205,230	\$ 52,289	\$ -	\$ 735,091	\$ -	\$ 23,932	\$ 29,402	\$ 5,913
Employee benefits																
Medical	7,912	3,652	5,391	10,072	74,311	5,662	21,776	32,125	21,262	8,036	-	69,153	-	2,573	2,218	-
Other	3,188	1,392	1,247	6,956	27,306	3,295	10,635	14,134	11,719	3,326	-	33,835	-	1,405	828	-
Payroll taxes	5,620	4,193	5,253	15,036	64,031	4,739	18,894	24,955	17,900	3,885	-	63,378	-	1,825	2,570	444
Total Compensation and Related Expenses	78,939	57,308	76,498	213,555	928,276	67,825	276,117	364,605	256,111	67,536	-	901,457	-	29,735	35,018	6,357
Conferences	964	83	361	1,012	6,056	559	2,589	3,724	539	239	-	6,506	-	-	83	-
Dues	182	-	217	782	2,702	486	913	1,264	926	-	-	4,230	-	-	88	2,409
Food	-	1,225	-	-	3,596	-	-	-	-	1,032	-	1,224	-	-	1,504	10,414
Insurance																
Property	-	230	-	1,192	6,418	-	1,519	1,925	1,188	2,555	-	-	-	219	136	-
Other	513	-	277	1,058	-	-	1,164	1,712	1,060	634	9,732	12,296	-	-	121	-
Workmans comp	922	391	530	1,880	4,189	549	4,003	3,561	2,830	1,523	-	9,339	-	506	232	-
Equipment maintenance & repair	-	1,766	-	-	15,981	1,991	4,601	4,762	919	1,262	-	6,160	-	895	-	-
Miscellaneous	572	-	-	-	4,177	1,266	884	2,867	1	1	-	85,469	-	-	-	278
Occupancy																
Rent	1,152	-	80	-	-	-	-	-	-	1,775	-	43,331	-	13,961	-	8,103
Utilities	504	-	-	1,023	24,538	-	2,121	1,080	3,029	4,960	-	31,363	-	2,193	-	-
Repairs & maintenance	-	-	333	3,334	42,010	665	5,812	3,094	13,025	9,683	-	28,071	-	1,723	-	-
Postage	150	111	206	751	3,431	577	826	1,219	2,107	938	1,309	5,675	-	137	86	2,147
Printing	50	-	58	215	2,968	1,266	1,470	387	3,362	590	1,897	13,780	-	63	-	2,267
Professional fees	17,604	961	1,317	32,161	139,461	8,424	4,419	5,016	3,389	5,292	3,091,266	32,408	152,202	402	778	9,645
Public relations	-	-	-	-	1,011	-	-	-	-	-	-	176	-	-	-	-
Specific assistance	-	-	-	66	4,088	-	492	149,734	38,425	4,915	-	218,597	-	138	-	500
Subscriptions	80	-	-	18	1,009	-	444	23	70	40	-	141	-	-	-	1,860
Activities & Supplies	7,815	5,038	63	153	10,513	6,048	399	194	394	836	-	12,874	-	654	3,805	-
Office supplies	450	-	532	942	10,969	2,282	3,818	3,838	2,158	1,254	2,838	16,894	-	523	-	882
Telephone	1,537	372	1,623	7,869	50,801	1,325	16,229	16,134	12,453	2,073	-	27,767	-	2,277	640	-
Travel & transportation	3,377	1,119	1,585	2,665	17,309	6,401	20,361	28,055	22,857	1,850	-	54,316	-	741	425	-
Uncollectible fees	-	-	-	-	-	-	894	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	6,911	19,756	4,516	7,165	4,264	3,620	-	-	14,436	-	1,950	-	-
Totals	\$ 114,811	\$ 68,604	\$ 83,680	\$ 275,587	\$ 1,299,259	\$ 104,180	\$ 356,240	\$ 597,458	\$ 368,463	\$ 108,988	\$ 3,107,042	\$ 1,526,510	\$ 152,202	\$ 56,117	\$ 42,916	\$ 44,862

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

Rosedale Emergency Shelter House	Story County Healthy Futures	Story Kids Club	Story Mentoring & Grip	Substance Abuse Prevention	Tobacco Comprehensive Prevention	Story County Transitional Living/ Lighthouse	Young Parents	Youth Employment	YSS Foundation, Inc.	YSS of Boone County	YSS of Eastern Story County	YSS of Marshall County	Family Life Center	Total Program	General and Administrative	Fund Raising	2010 Total Program and Support Service Expenses	2009 Totals
\$ 392,671	\$ 80,515	\$ 208,689	\$ 89,035	\$ 162,786	\$ 46,220	\$ 22,073	\$ 148,048	\$ 14,995	\$ 39,464	\$ 233,532	\$ 45,075	\$ 432,308	\$ -	\$ 4,658,616	\$ 747,507	\$ 180,685	\$ 5,586,808	\$ 5,481,168
41,050	10,504	17,983	4,517	15,602	3,202	2,283	13,327	2,239	-	21,156	2,601	36,934	-	435,541	18,119	-	453,660	445,732
16,473	4,631	7,356	2,870	8,572	2,114	685	6,620	980	2,692	9,327	3,814	18,639	-	204,039	35,896	39,714	279,649	255,167
33,495	7,157	18,072	7,643	14,757	4,169	1,640	12,530	1,274	2,973	19,278	4,023	35,057	-	394,791	63,729	13,823	472,343	453,994
483,689	102,807	252,100	104,065	201,717	55,705	26,681	180,525	19,488	45,129	283,293	55,513	522,938	-	5,692,987	865,251	234,222	6,792,460	6,636,061
2,448	2,105	2,078	336	14,128	314	220	1,610	32	278	44,182	240	2,143	-	92,829	3,930	-	96,759	44,813
1,668	476	1,057	1,107	1,626	85	189	712	44	-	1,257	455	2,894	-	25,769	5,051	-	30,820	29,603
4,467	-	10,815	-	196	219	-	-	-	12,818	85	-	3,056	-	50,651	-	-	50,651	59,956
2,297	-	511	-	202	98	287	-	156	-	913	332	415	3,058	23,651	14,773	-	38,424	28,338
2,043	1,508	1,432	383	1,629	100	255	1,455	90	-	834	296	2,800	-	41,392	2,979	-	44,371	32,057
4,802	1,394	1,787	777	3,441	583	420	1,803	281	-	2,781	1,059	5,257	-	54,840	5,721	-	60,561	54,399
3,695	-	177	-	-	-	2,564	-	-	-	5,064	-	2,517	35,460	87,814	14,000	-	101,814	124,652
689	-	3,548	839	-	-	492	79	-	28	301	429	1,998	7,619	111,537	6,904	-	118,441	17,926
-	-	-	-	-	-	25,881	3,381	-	-	6,000	-	92,176	-	195,840	1,805	-	197,645	183,929
13,352	1,176	515	78	1,030	799	4,136	1,584	258	-	1,187	1,610	18,750	5,925	121,211	11,206	-	132,417	134,089
28,397	2,531	1,279	644	2,085	1,509	2,227	4,302	678	2,355	1,799	8,337	7,632	30,169	201,694	43,739	-	245,433	186,527
1,448	454	822	279	735	82	181	832	57	-	1,727	210	3,118	-	29,615	2,964	434	33,013	32,490
994	537	606	217	892	23	258	118	13	43,858	4,839	3,137	5,942	-	89,807	868	22,605	113,280	85,398
13,929	33,491	6,368	3,689	10,816	858	7,836	45,939	318	8,199	3,339	757	19,586	2,279	3,662,149	13,372	-	3,675,521	3,401,383
878	-	-	-	13,014	175	-	-	-	21,442	-	-	141	-	36,837	-	5,453	42,290	40,968
978	-	-	-	-	-	1,331	5,048	-	15,351	-	-	55,901	-	495,564	-	-	495,564	550,706
292	-	9	5	-	-	29	27	5	-	204	211	345	750	5,562	1,397	-	6,959	4,019
4,509	13,769	16,655	378	2,801	843	635	248	1,285	-	-	338	4,989	-	95,236	2,489	-	97,725	155,577
6,977	645	3,400	793	1,992	533	451	2,064	269	-	4,764	674	7,023	16	76,981	7,141	-	84,122	78,856
14,400	6,455	7,376	1,282	5,498	2,274	3,402	7,181	547	383	17,162	6,707	23,845	-	237,612	50,351	-	287,963	283,574
4,799	2,467	3,218	2,576	6,608	785	833	12,829	537	83	13,869	112	46,298	146	256,221	18,871	-	275,092	298,461
2,250	-	-	-	-	-	-	-	-	-	-	-	-	-	3,144	-	-	3,144	8,042
5,395	1,505	1,505	753	-	-	294	4,516	753	-	4,082	178	3,712	27,386	112,697	82,865	-	195,562	154,709
\$ 604,396	\$ 171,320	\$ 315,258	\$ 118,201	\$ 268,410	\$ 64,985	\$ 78,602	\$ 274,253	\$ 24,811	\$ 149,924	\$ 397,682	\$ 80,595	\$ 833,476	\$ 112,808	\$ 11,801,640	\$ 1,155,677	\$ 262,714	\$ 13,220,031	\$ 12,626,533

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,049,200	\$ 380,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	195,562	154,709
Unrealized (gain) loss on investments	(37,188)	(3,105)
(Increase) Decrease in operating assets		
Grants receivable	(105,245)	154,732
Program service fees receivable	(193,491)	45,944
Miscellaneous receivables	(15,893)	21,573
Other assets	(53,700)	-
Prepaid expenses	35	(8,773)
Unconditional promises to give - Foundation	(39,010)	(545,073)
Increase (Decrease) in operating liabilities		
Annuities payable	(6,000)	(2,000)
Grant advances	3,965	2,685
Deferred revenue	245,161	95,363
Client accounts	(2,951)	3,881
Accrued employee benefit plan	(2,225)	2,079
Accrued vacation and holiday pay	21,217	12,248
Accrued estimated state unemployment liability	49,997	51,395
Restricted contributions	(29,144)	(31,098)
Net Cash Provided by Operating Activities	2,080,290	335,193
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	181,768	(364,976)
(Purchases) sales of investments restricted to YSS Foundation, net	(780,785)	218,690
Payments for property and equipment	(688,847)	(1,044,775)
(Decrease) Increase in cash surrender value of life insurance	7,987	4,412
Net Cash (Used) by Investing Activities	(1,279,877)	(1,186,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bankers Trust loan	-	831,299
Payments on note payable	(835,991)	(4,692)
Specified donations collections	29,144	31,098
Net Cash (Used) Provided by Financing Activities	(806,847)	857,705
Net Increase (Decrease) in Cash and Cash Equivalents	(6,434)	6,249
Cash and Cash Equivalents at Beginning of Year	45,404	39,155
Cash and Cash Equivalents at End of Year	\$ 38,970	\$ 45,404

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. 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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, 2009, 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

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

m. Subsequent Events. In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 24, 2010, the date the financial statements were available to be issued.

2. Investments. Short-term investments of \$1,145,537 at June 30, 2010, are carried at fair value. The investments are in a managed trust account with a financial institution.

Investments were comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	Unrealized Appreciation (Depreciation)
Money Market Funds	\$ 299,688	\$ 299,688	\$ -
Certificates of Deposit	175,000	175,000	-
Equity Mutual Funds	175,775	171,661	(4,114)
Bond Mutual Funds	<u>474,318</u>	<u>499,188</u>	<u>24,870</u>
	<u>\$1,124,781</u>	<u>\$1,145,537</u>	<u>\$ 20,756</u>

Investment return is summarized as follows:

Investment income	\$18,551
Unrealized gain	<u>37,188</u>
Total investment return	<u>\$55,739</u>

Expenses relating to investment revenues including custodial fees amounted to \$10,464 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, 2010:

	<u>Cost</u>	<u>Fair Value</u>	Unrealized Appreciation (Depreciation)
Cash	\$ 137,851	\$ 137,851	\$ -
Money Market Funds	558,076	558,076	-
Certificates of Deposit	251,146	251,146	-
Equity Mutual Funds	1,819,615	1,874,785	55,170
Bond Mutual Funds	<u>1,506,682</u>	<u>1,568,417</u>	<u>61,735</u>
	<u>\$4,273,370</u>	<u>\$4,390,275</u>	<u>\$ 116,905</u>

3. Fair Value Measurements. Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)
Investments	<u>\$1,145,537</u>	<u>\$1,145,537</u>

Fair value for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

4. Promises To Give. Youth and Shelter Services Foundation has unconditional promises to give at June 30, 2010, are as follows:

Capital campaign and endowment	<u>\$1,030,927</u>
Receivable in less than one year	\$ 150,197
Receivable in one to five years	202,209
Receivable in more than five years	<u>678,521</u>
Total unconditional promises to give	1,030,927
Less discounts to net present value	(381,946)
Less allowance for uncollectible promises receivable	<u>(64,898)</u>
Net unconditional promises to give at June 30, 2010	<u>\$ 584,083</u>

Promises to give receivable in more than one year are discounted at 3.91%

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

	2010	2009
Land	\$ 847,942	\$ 847,942
Buildings and improvements	4,721,325	4,047,399
Furniture and equipment	<u>1,120,847</u>	<u>1,105,925</u>
	6,690,114	6,001,266
Accumulated Depreciation	<u>(3,396,338)</u>	<u>(3,200,775)</u>
	<u>\$ 3,293,776</u>	<u>\$ 2,800,491</u>

Depreciation expense for the years ended June 30, 2010, and 2009, was \$195,562 and \$154,709 respectively.

6. 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, 2010 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2011	\$ 135,515
2012	50,580
2013	<u>28,890</u>
	<u>\$ 214,985</u>

The Organization paid rent of \$197,645 and \$183,929 for the years ended June 30, 2010 and 2009, respectively.

The Organization leases office space to tenants under noncancelable operating leases with terms of six months to two years. Future minimum rentals under the leases at June 30, 2010, was \$32,691 for the year ended June 30, 2011.

7. 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 \$857,903 and \$807,906 at June 30, 2010, and 2009, respectively.

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

8. 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 \$192,018 and \$181,512 for the years ended June 30, 2010 and 2009, respectively.
9. Notes Payable. Notes payable of \$9,655 at June 30, 2010, 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 2011; \$2,982 in 2012; and \$1,981 in 2013.
10. Restrictions on Net Assets.

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

	<u>2010</u>	<u>2009</u>
Specified by donors	\$ 26,798	\$ 24,680
Interest in net assets of foundation	<u>4,710,763</u>	<u>3,315,606</u>
	<u>\$ 4,737,561</u>	<u>\$ 3,340,286</u>

11. Cash Flow Information. Interest paid was \$0 and \$0 for the years ended June 30, 2010 and 2009, respectively.
12. Net Client Service Revenue. Client service revenue is reported at the estimated realizable amounts from clients, third party payors and others for services rendered.
13. Income Taxes. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not believe it has any income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2007, 2008 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	2010
ASSETS			
Cash	\$ 38,970	\$ -	\$ 38,970
Investments	1,145,537	-	1,145,537
Receivables			
Grants	570,688	-	570,688
Program service fees, less allowance for doubtful accounts of \$9,000 in 2010	364,039	-	364,039
Miscellaneous	19,696	-	19,696
Other assets	53,700	-	53,700
Prepaid expenses	12,371	-	12,371
Cash surrender value of life insurance	53,612	-	53,612
Cash surrender value of life insurance - Foundation	-	67,573	67,573
Cash and investments restricted for YSS Foundation	-	4,390,275	4,390,275
Unconditional promises to give - Foundation	-	584,083	584,083
Land	847,942	-	847,942
Property and equipment, less accumulated depreciation	2,445,834	-	2,445,834
Total Assets	\$ 5,552,389	\$ 5,041,931	\$ 10,594,320
LIABILITIES			
Grant advances	\$ 43,633	\$ -	\$ 43,633
Deferred revenue	534,626	-	534,626
Client accounts	17,172	-	17,172
Accrued expenses			
Employee benefit plan	9,789	-	9,789
Vacation and holiday pay	310,746	-	310,746
Estimated state unemployment liability	857,903	-	857,903
Note payable	9,655	-	9,655
Annuities Payable - Foundation	-	46,000	46,000
Total Liabilities	1,783,524	46,000	1,829,524
INTERFUND BORROWINGS			
Due to general fund	289,401	-	289,401
Due (from) Foundation	-	(285,168)	(285,168)
Due (from) specified fund	(4,233)	-	(4,233)
Total Interfund Borrowings	285,168	(285,168)	-
NET ASSETS			
Unrestricted	4,027,235	-	4,027,235
Temporarily restricted	26,798	4,710,763	4,737,561
Total Net Assets	4,054,033	4,710,763	8,764,796
Total Liabilities and Net Assets	\$ 5,552,389	\$ 5,041,931	\$ 10,594,320

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	2010 Total
REVENUES AND OTHER SUPPORT					
Specified Donations	\$ -	\$ 29,244	\$ 29,244	\$ -	\$ 29,244
Grants	379,419	-	379,419	-	379,419
United Way	452,629	-	452,629	-	452,629
Fees and grants from Governmental Agencies	7,842,803	-	7,842,803	-	7,842,803
Program Service Fees	3,716,800	-	3,716,800	-	3,716,800
Investment return	55,739	-	55,739	-	55,739
Miscellaneous revenue	49,385	-	49,385	-	49,385
Youth & Shelter Services Foundation revenues	-	-	-	2,743,212	2,743,212
Net assets released from restrictions					
Restrictions satisfied by payments	1,375,181	(27,125)	1,348,056	(1,348,056)	-
Total Revenues and Other Support	13,871,956	2,119	13,874,075	1,395,156	15,269,231
EXPENSES					
Program Services					
Adolescent Pregnancy Prevention	114,811	-	114,811	-	114,811
Boone Kids Club	68,604	-	68,604	-	68,604
Boone Mentoring & Grip	83,680	-	83,680	-	83,680
Chemical Dependency Services - Outpatient	275,587	-	275,587	-	275,587
Chemical Dependency Services - Residential	1,299,259	-	1,299,259	-	1,299,259
Community Youth & Family Development	104,180	-	104,180	-	104,180
Family Counseling Center	356,240	-	356,240	-	356,240
FFC/Adopt/Kids Net	597,458	-	597,458	-	597,458
Hamilton County Youth & Family Center	368,463	-	368,463	-	368,463
Boone County Transitional Living/Lighthouse	108,988	-	108,988	-	108,988
Iowa Aftercare Services Network	3,107,042	-	3,107,042	-	3,107,042
Iowa Homeless Youth Center	1,526,510	-	1,526,510	-	1,526,510
Juvenile Community Treatment Services Network	152,202	-	152,202	-	152,202
Lighthouse/HUD Program	56,117	-	56,117	-	56,117
Marshall Kids Club	42,916	-	42,916	-	42,916
Risky Business Conference	44,862	-	44,862	-	44,862
Rosedale Emergency Shelter House	604,396	-	604,396	-	604,396
Story County Healthy Futures	171,320	-	171,320	-	171,320
Story Kids Club	315,258	-	315,258	-	315,258
Story Mentoring & Grip	118,201	-	118,201	-	118,201
Substance Abuse Prevention	268,410	-	268,410	-	268,410
Tobacco Comprehensive Prevention	64,985	-	64,985	-	64,985
Story County Transitional Living/Lighthouse	78,602	-	78,602	-	78,602
Young Parents	274,253	-	274,253	-	274,253
Youth Employment	24,811	-	24,811	-	24,811
YSS Foundation, Inc.	149,924	-	149,924	-	149,924
YSS of Boone County	397,682	-	397,682	-	397,682
YSS of Eastern Story County	80,595	-	80,595	-	80,595
YSS of Marshall County	833,476	-	833,476	-	833,476
Family Life Center	112,808	-	112,808	-	112,808
Supporting Activities					
General and Administrative	1,155,677	-	1,155,677	-	1,155,677
Fund Raising	262,714	-	262,714	-	262,714
Total Expenses	13,220,031	-	13,220,031	-	13,220,031
Increase (Decrease) in Net Assets	651,925	2,119	654,044	1,395,156	2,049,200
Net Assets at Beginning of Year	3,375,310	24,679	3,399,989	3,315,607	6,715,596
Net Assets at End of Year	\$ 4,027,235	\$ 26,798	\$ 4,054,033	\$ 4,710,763	\$ 8,764,796

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	2010	2009
Cities/Counties	\$ 323,959	\$ 315,317
Story County - Juvenile Court	294,975	291,925
Department of Human Services - Fees	376,788	377,067
Shelter Care Reimbursements - Counties	89,141	73,800
Department of Public Health - Prevention	83,662	84,191
Department of Public Health - Counties	20,933	20,553
Department of Public Health - Innovative	39,831	43,717
Department of Housing & Urban Development	605,753	607,202
Department of Education	62,591	56,283
Department of Health & Human Services - Runaway Center	117,248	119,993
Department of Health & Human Services - Runaway Outreach	136,251	127,010
Department of Health & Human Services - Transitional Living	194,260	197,633
Department of Human Rights - Family Meetings	51,575	48,050
Department of Human Rights - Family Development	270,221	307,165
Department of Health & Human Services - Drug Free Communities	43,781	72,837
Department of Public Health - Mentoring	53,000	53,000
Criminal and Juvenile Justice - Rural Homeless	52,857	17,449
Department of Human Services - Adolescent Pregnancy	107,500	83,488
FEMA	17,522	12,705
City of Des Moines - CDBG	153,936	154,085
Department of Human Rights - Decategorization	352,159	266,193
Department of Human Services - Pregnancy Prevention	17,586	20,338
Department of Public Health - Disaster Relief	15,000	-
Department of Public Health - Comprehensive Prevention Initiative	500	-
Department of Public Health - Tobacco Prevention	-	200
Department of Public Health - Tobacco Use Prevention	67,852	72,234
Department of Public Health - Community Coalition	-	1,426
Department of Human Services - Iowa Aftercare	4,106,815	3,695,104
Department of Public Health - Youth Development Project	52,428	54,000
Department of Public Health - JEL	6,400	7,000
Department of Public Health - School Climate Initiative	1,000	1,250
Department of Justice - Healthy Futures	120,564	172,345
Adolescent Pregnancy Prevention	5,515	-
Iowa Workforce	1,000	-
Iowa Department of Economic Development	200	-
Totals	\$ 7,842,803	\$ 7,353,560

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Iowa Department of Public Health						
	Comprehensive Substance Abuse Prevention	Prevention Through Mentoring	Youth Development Project	JEL Chapter Grant	Youth Mentoring Program	Tobacco Use Prevention & Control	Substance Abuse Disaster Relief
Revenues							
Iowa Department of Public Health	\$ 83,462	\$ 53,000	\$ 52,428	\$ 6,300	\$ 39,331	\$ 67,852	\$ 15,000
Iowa Department of Public Health Incentive	200	1,000	1,000	100	500	-	-
City Government	-	-	-	-	5,157	-	-
County Government	-	-	-	-	6,000	-	-
United Way	-	-	-	-	1,400	-	-
Donations	-	-	-	-	7,109	-	-
Other Revenue In-Kind	-	-	-	-	-	18,050	-
Total Revenues	83,662	54,000	53,428	6,400	59,497	85,902	15,000
Expenses							
Administration	10,310	5,709	531	781	5,976	8,633	-
Salaries	56,120	39,591	28,865	3,896	45,286	42,116	3,165
Personnel benefits	15,783	7,255	7,517	370	5,697	9,655	878
Travel	1,449	445	674	480	539	307	449
Staff training and education	-	-	-	200	-	314	-
Contracted services	-	1,000	7,262	-	-	656	-
Insurance	-	-	-	-	-	198	-
Occupancy	-	-	-	-	-	4,013	-
Supplies	-	-	8,579	673	377	1,026	-
Telephone	-	-	-	-	1,622	2,274	-
Other expenses	-	-	-	-	-	16,710	10,508
Total Expenses	83,662	54,000	53,428	6,400	59,497	85,902	15,000
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, 2010

	Department of Human Rights
	FaDDS
Revenues	
Department of Human Rights	\$ 269,421
Other State	2,000
County Government	1,752
City Government	4,826
United Way	20,174
Donations	3,661
<hr/>	
Total Revenues	301,834
Expenses	
Administration	31,665
Salaries	147,398
Personnel benefits	34,236
Travel	13,512
Staff training and education	846
Contracted services	
Family Resources	42,775
Audit	362
Computer	1,603
Insurance	1,455
Occupancy	
Rent/Utilities	8,450
Repairs & maintenance	3,202
Supplies	
Office supplies	2,301
Printing	118
Special needs	4,977
Postage	855
Telephone	7,505
Other expenses	
Organization dues	574
<hr/>	
Total Expenses	301,834
<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, 2010

	Iowa Aftercare Services	Iowa Aftercare Services PAL	Total
Revenues			
Department of Human Services	\$ 815,663	\$ 3,291,152	\$ 4,106,815
Total Revenues	815,663	3,291,152	4,106,815
Expenses			
Administration	52,385	109,560	161,945
Contracted services			
Youth and Shelter Services, Inc.	241,539	641,308	882,847
American Home Finding	18,341	65,349	83,690
Boys and Girls Home	44,152	329,187	373,339
Children's Square	61,303	739,906	801,209
Francis Lauer	18,753	56,686	75,439
Foundation 2	45,654	94,176	139,830
Four Oaks	140,110	610,586	750,696
Youth Policy Institute	123,155	60,048	183,203
Children & Families of Iowa	18,801	99,406	118,207
Quakerdale	3,030	9,925	12,955
Young House	17,069	115,525	132,594
Youth Homes of Mid America	3,257	167,503	170,760
Family Resources, Inc.	28,114	191,987	220,101
Total Expenses	815,663	3,291,152	4,106,815
Total revenue over (under) expenses	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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	IA26B702010	\$ 56,871
Transitional Living	14.235	IA26B702010	187,920
Transitional Living	14.235	IA26B702011	93,505
Transitional Living	14.235	IA26B70802	21,623
Transitional Living	14.235	IA26B701003	108,326
Transitional Living	14.235	IA26B702004	40,427
Transitional Living	14.235	IA26B701004	63,181
Transitional Living	14.235	IA26B601003	127,749
Subtotal Direct Programs			699,602
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2010024	10,000
City of Des Moines	14.218	HESG2010011	12,000
City of Des Moines	14.218		9,731
City of Des Moines	14.231		11,677
City of Des Moines	14.231	08-II-77016	26,000
City of Des Moines	14.231	08-II-77191	24,300
Boone County	14.231	09-II-8009	18,000
Story County	14.231	09-II-85019	21,227
Marshall County	14.231	10-II-64009	21,000
Total U.S. Department of Housing and Urban Development			853,537
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	CH9SP14928A	121,756
Runaway/Homeless Youth Grant	93.623	07CY0548-02	22,620
Runaway/Homeless Youth Grant	93.623	07CY0548-03	94,628
Transitional Living	93.550	07CX0508-03	194,260
Street Outreach	93.557	07Y003802	21,668
Street Outreach	93.557	07Y003803	83,333
Street Outreach	93.557	07Y003603	25,000
Street Outreach	93.557	07Y003602	6,250
Subtotal Direct Programs			569,515

**YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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			
Comprehensive Substance Abuse Prevention	93.959	5885CP01	77,966
FaDSS	93.558	FaDSS-10-23-FW	132,016
Total U.S. Department of Health and Human Services			779,497
U.S. Department of Homeland Security:			
FEMA	97.024		17,522
Total U.S. Department of Homeland Security			17,522
Pass-Through Program From: Iowa Department of Human Services			
Family Team Meetings			51,575
Total Expenditures of Federal Awards			\$ 1,702,131

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, 2010, and have issued our report thereon dated September 24, 2010. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.



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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 24, 2010.

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.

Houston & Seeman, P.C.

Peterson & Houston, P.C.
Boone, Iowa

September 24, 2010

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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, 2010. 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, 2010.

Internal Control Over Compliance

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



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

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.

Houston & Seeman, P.C.

Peterson & Houston, P.C.
Boone, Iowa

September 24, 2010

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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).

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September 24, 2010

To the Senior Management and
The Finance Committee/Audit Committee of
Youth and Shelter Services, Inc.

In planning and performing our audit of the financial statements of Youth and Shelter Services, Inc. and affiliate for the year ended June 30, 2010 we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organization's internal control in our report dated September 24, 2010. This letter does not affect our report dated September 24, 2010, on the financial statements of Youth and Shelter Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Grant Authorization and Drawdown

During the year ended June 30, 2010 the Organization had a grant for which it was accruing expenditures but was not getting reimbursed for in a timely manner. The grant was ongoing and the grantor had assured the Organization they would be reimbursed, since this was an ongoing grant it seemed appropriate to accrue the expenditures. The grantor had not formally approved the contract, thus the delay. The risk the Organization may incur in this instance is even though the expenditures are being made with the promise of reimbursement without formal approval there is the possibility of nonpayment. This was the third consecutive year this has occurred.

We wish to thank the fiscal office staff for their assistance during our audit.

This report is intended solely for the information and use of the Finance Committee/Audit Committee, Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Houston & Seeman, P.C.
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