

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

Year Ended June 30, 2011

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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, 2011 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 2010 financial statements and, in our report dated September 24, 2010, 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, 2011 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 16, 2011, 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.

Houston & Seeman, P.C.
Boone, Iowa

September 16, 2011



America Counts on CPAs

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YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(With Comparative Totals For June 30, 2010)

	2011	2010
ASSETS		
Cash	\$ 40,655	\$ 38,970
Investments	1,903,590	1,145,537
Receivables		
Grants	546,705	570,688
Program service fees, less allowance for doubtful accounts of \$9,000 in 2011 and \$9,000 in 2010	361,337	364,039
Miscellaneous	5,189	19,696
Other assets	21,822	53,700
Prepaid expenses	7,853	12,371
Cash surrender value of life insurance	53,612	53,612
Cash surrender value of life insurance - Foundation	75,647	67,573
Cash and investments restricted for YSS Foundation	4,525,306	4,390,275
Unconditional promises to give - Foundation	476,432	584,083
Land	847,942	847,942
Property and equipment, less accumulated depreciation	2,829,268	2,445,834
Total Assets	\$ 11,695,358	\$ 10,594,320

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(With Comparative Totals For June 30, 2010)

	2011	2010
LIABILITIES		
Grant advances	\$ 51,622	\$ 43,633
Deferred revenue	703,569	534,626
Client accounts	15,198	17,172
Accrued expenses		
Employee benefit plan	15,686	9,789
Vacation and holiday pay	324,531	310,746
Estimated state unemployment liability	908,481	857,903
Note payable	4,963	9,655
Annuities payable - Foundation	45,000	46,000
Total Liabilities	2,069,050	1,829,524
INTERFUND BORROWINGS		
Due to general fund	34,260	289,401
Due (from) Foundation	(33,388)	(285,168)
Due to (from) specified fund	(872)	(4,233)
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	4,599,712	4,027,235
Temporarily restricted	5,026,596	4,737,561
Total Net Assets	9,626,308	8,764,796
Total Liabilities and Net Assets	\$ 11,695,358	\$ 10,594,320

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ 802	\$ 802	\$ 29,244
Grants	373,062	-	373,062	379,419
United Way	485,391	-	485,391	452,629
Fees and grants from Governmental Agencies	7,750,719	-	7,750,719	7,842,803
Program Service Fees	4,093,539	-	4,093,539	3,716,800
Investment return	80,908	-	80,908	55,739
Miscellaneous revenue	46,299	-	46,299	49,385
Youth & Shelter Services Foundation revenues	-	1,623,183	1,623,183	2,743,212
Net assets released from restrictions				
Restrictions satisfied by payments	1,334,950	(1,334,950)	-	-
Total Revenues and Other Support	14,164,868	289,035	14,453,903	15,269,231
EXPENSES				
Program Services				
Adolescent Pregnancy Prevention	99,574	-	99,574	114,811
AMP	5,396	-	5,396	-
Boone Kids Club	59,450	-	59,450	68,604
Boone Mentoring & Grip	63,693	-	63,693	83,680
Boone Substance Abuse Prevention	25,964	-	25,964	-
Chemical Dependency Services - Outpatient	318,501	-	318,501	275,587
Chemical Dependency Services - Residential	1,367,835	-	1,367,835	1,299,259
Community Youth & Family Development	114,864	-	114,864	104,180
Family Counseling Center	449,152	-	449,152	356,240
FFC/Adopt/Kids Net	684,422	-	684,422	597,458
Hamilton County Youth & Family Center	329,825	-	329,825	368,463
Boone County Transitional Living/Lighthouse	143,366	-	143,366	108,988
Iowa Aftercare Services Network	2,987,049	-	2,987,049	3,107,042
Iowa Homeless Youth Center	1,568,435	-	1,568,435	1,526,510
Juvenile Community Treatment Services Network	168,003	-	168,003	152,202
Lighthouse/HUD Program	-	-	-	56,117
Marshall Kids Club	48,824	-	48,824	42,916
Risky Business Conference	43,810	-	43,810	44,862
Rosedale Emergency Shelter House	616,063	-	616,063	604,396
Story County Healthy Futures	140,821	-	140,821	171,320
Story Kids Club	346,567	-	346,567	315,258
Story Mentoring & Grip	111,953	-	111,953	118,201
Substance Abuse Prevention	293,972	-	293,972	268,410
Tobacco Comprehensive Prevention	38,343	-	38,343	64,985
Story County Transitional Living/Lighthouse	125,900	-	125,900	78,602
Young Parents	294,701	-	294,701	274,253
Youth Employment	27,471	-	27,471	24,811
YSS Foundation, Inc.	191,823	-	191,823	149,924
YSS of Boone County	411,349	-	411,349	397,682
YSS of Eastern Story County	68,566	-	68,566	80,595
YSS of Marshall County	827,167	-	827,167	833,476
Family Life Center	164,317	-	164,317	112,808
Supporting Activities				
General and Administrative	1,224,036	-	1,224,036	1,155,677
Fund Raising	231,179	-	231,179	262,714
Total Expenses	13,592,391	-	13,592,391	13,220,031
Increase in Net Assets	572,477	289,035	861,512	2,049,200
Net Assets at Beginning of Year	4,027,235	4,737,561	8,764,796	6,715,596
Net Assets at End of Year	\$ 4,599,712	\$ 5,026,596	\$ 9,626,308	\$ 8,764,796

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	Adolescent Pregnancy Prevention	AMP	Boone Kids Club	Boone Mentoring & Grip	Boone Substance Abuse Prevention	Chemical Dependency Services Outpatient	Chemical Dependency 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	Marshall Kids Club
Compensation and Related Expenses	\$ 64,730	\$ -	\$ 40,537	\$ 44,563	\$ 18,174	\$ 194,266	\$ 815,525	\$ 67,144	\$ 297,604	\$ 352,294	\$ 190,412	\$ 60,594	\$ -	\$ 736,587	\$ -	\$ 33,681
Compensation																
Employee benefits																
Medical	6,100	-	3,407	3,773	1,269	26,310	74,619	1,608	24,623	17,698	19,189	11,694	-	91,644	-	1,732
Other	2,205	-	1,420	2,762	1,535	6,605	22,862	1,751	12,503	23,241	9,608	5,023	-	38,099	-	718
Payroll taxes	5,795	-	4,192	3,925	1,431	16,260	70,718	5,379	23,360	30,567	17,131	4,520	-	65,700	-	2,894
Total Compensation and Related Expenses	78,830	-	49,556	55,023	22,409	243,441	983,724	75,882	358,090	423,800	236,340	81,831	-	932,030	-	39,025
Conferences	1,097	-	240	187	-	1,378	8,773	1,151	3,507	5,065	596	1,034	-	8,677	-	146
Dues	160	-	89	267	-	388	2,844	356	414	653	658	346	-	3,151	-	46
Food	-	-	2,283	-	-	-	6,122	169	246	-	-	402	-	2,259	-	1,789
Insurance																
Property	275	-	154	145	-	1,294	-	266	2,070	914	917	853	-	3,351	-	78
Other	402	-	190	209	-	830	4,097	386	1,312	1,695	1,138	1,273	7,839	5,718	-	97
Workmans comp	903	-	537	535	1,006	3,906	5,663	918	4,239	8,459	3,804	2,447	-	15,555	-	269
Equipment maintenance & repair	-	4,722	-	-	-	2,827	13,651	1,173	6,762	7,560	7,291	1,576	-	16,364	-	74
Miscellaneous	7,349	-	-	164	-	246	6,575	10,213	444	2,942	54	4	-	65,796	-	3
Occupancy																
Rent	990	-	-	2,190	600	-	-	-	-	-	-	13,730	-	91,335	-	-
Utilities	479	-	-	-	-	2,772	24,293	-	11,160	1,031	3,197	7,013	-	41,341	-	-
Repairs & maintenance	-	-	-	394	-	9,751	34,431	216	169	5,567	1,448	7,198	-	21,174	-	-
Postage	259	-	127	137	-	551	3,049	157	871	1,201	1,037	793	1,459	6,270	-	65
Printing	316	-	35	35	-	330	968	60	1,476	1,612	3,447	615	1,565	20,351	-	17
Professional fees	2,025	-	628	678	-	32,514	171,227	6,474	6,859	7,163	2,677	7,381	2,971,184	28,574	168,003	453
Public relations	-	-	-	-	-	-	2,263	-	-	-	-	-	-	260	-	-
Specific assistance	-	-	-	-	-	-	1,846	-	847	146,465	26,115	4,460	-	167,773	-	-
Subscriptions	-	-	-	-	-	79	1,840	-	319	54	203	38	-	60	-	-
Activities & Supplies	778	-	2,816	101	-	427	10,393	3,770	6	356	485	1,468	-	11,335	-	3,078
Office supplies	396	-	309	367	358	2,094	12,885	671	4,224	3,344	1,988	1,497	5,002	14,037	-	167
Telephone	1,527	674	1,710	2,154	630	11,008	25,401	2,155	21,624	22,776	13,637	5,792	-	50,277	-	1,000
Travel & transportation	3,788	-	776	1,107	961	765	23,026	4,066	23,243	39,089	20,800	2,188	-	48,835	-	2,517
Uncollectible fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	3,900	24,764	6,781	1,270	4,676	3,993	1,427	-	13,912	-	-
Totals	\$ 99,574	\$ 5,396	\$ 59,450	\$ 63,693	\$ 25,964	\$ 318,501	\$ 1,367,835	\$ 114,864	\$ 449,152	\$ 684,422	\$ 329,825	\$ 143,366	\$ 2,987,049	\$ 1,568,435	\$ 168,003	\$ 48,824

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	Rosedale	Story		Story	Substance	Tobacco	Story County				YSS	YSS of	YSS of	YSS of	Family	Total	General	Fund	2011 Total	2010
Risky	Emergency	County	Story	Story	Abuse	Comprehensive	Transitional	Young	Youth	Foundation,	Boone	Eastern	Marshall	Life	Program	and	Raising	Service	Totals	
Business	Shelter	Healthy	Kids Club	Mentoring	Prevention	Prevention	Living/ Lighthouse	Parents	Employment	Inc.	County	County	County	Center	Administrative	Administrative	Expenses	Expenses		
Conference	House	Futures		& Grip																
\$ 6,015	\$ 406,024	\$ 78,526	\$ 227,619	\$ 81,167	\$ 172,000	\$ 27,715	\$ 40,593	\$ 164,390	\$ 16,507	\$ 45,569	\$ 253,461	\$ 42,592	\$ 427,964	\$ -	\$ 4,906,253	\$ 733,362	\$ 174,105	\$ 5,813,720	\$ 5,586,808	
-	39,718	9,310	17,079	3,727	12,587	1,950	4,069	16,329	3,177	3,331	31,822	4,101	35,736	-	466,602	39,987	-	506,589	453,660	
-	14,728	3,545	7,428	2,409	5,774	988	2,462	5,753	695	2,556	17,238	1,712	11,767	-	205,387	43,262	30,207	278,856	279,649	
460	34,894	7,151	18,747	7,487	14,486	2,821	3,080	13,496	1,451	3,297	21,909	3,758	30,855	-	415,764	61,682	13,319	490,765	472,343	
6,475	495,364	98,532	270,873	94,790	204,847	33,474	50,204	199,968	21,830	54,753	324,430	52,163	506,322	-	5,994,006	878,293	217,631	7,089,930	6,792,460	
-	2,442	646	2,643	319	7,947	120	300	630	73	579	11,125	206	3,354	-	62,235	6,599	-	68,834	96,759	
235	1,083	372	525	1,306	995	62	7	407	61	455	952	458	2,007	-	18,297	10,572	-	28,869	30,820	
9,887	4,434	-	10,370	-	-	-	-	-	-	17,646	15	-	2,943	-	58,565	-	-	58,565	50,651	
-	1,643	684	731	261	890	91	361	480	67	-	454	185	1,997	2,213	20,374	11,990	-	32,364	38,424	
-	2,059	616	909	323	745	114	43	480	84	-	1,203	229	2,369	-	34,360	3,617	-	37,977	44,371	
-	6,101	1,574	2,583	898	1,992	370	991	2,228	226	-	2,936	638	6,905	-	75,683	10,124	-	85,807	60,561	
-	21,757	1,521	386	78	2,485	-	2,790	-	39	-	2,390	1,330	3,730	69,319	167,825	30,606	-	198,431	101,814	
131	2,431	-	2,281	401	-	2	125	412	-	10,430	1,446	293	2,788	1,051	115,581	8,746	-	124,327	118,441	
11,311	-	-	-	-	-	-	36,326	4,045	-	-	6,000	-	91,775	-	258,302	2,300	-	260,602	197,645	
-	12,800	601	732	480	3,029	671	8,274	1,238	252	-	1,449	1,786	19,666	3,767	146,031	17,398	-	163,429	132,417	
-	15,637	1,281	1,438	974	5,304	1,414	2,521	1,295	464	1,132	361	2,334	3,900	18,274	136,677	59,613	-	196,290	245,433	
1,194	1,319	572	604	215	501	89	312	494	165	70	2,506	184	2,738	-	26,939	2,426	-	29,365	33,013	
3,246	741	1,014	1,863	421	1,305	24	253	393	65	44,910	3,851	754	2,348	-	92,015	671	8,863	101,549	113,280	
9,977	12,831	13,553	4,156	1,202	32,003	588	9,296	44,769	430	1,764	4,150	750	20,032	2,117	3,563,458	12,942	-	3,576,400	3,675,521	
-	913	-	-	1,455	2,836	10	-	-	-	25,822	-	-	270	-	33,829	-	4,685	38,514	42,290	
680	665	5,250	-	-	-	-	1,453	5,519	-	32,366	-	-	55,202	-	448,641	-	-	448,641	495,564	
-	480	18	25	18	474	-	48	-	11	-	247	349	573	-	4,836	707	-	5,543	6,959	
-	6,089	149	21,290	578	6,306	238	2,703	213	241	-	207	132	5,719	-	78,878	3,156	-	82,034	97,725	
645	4,245	5,368	2,237	1,230	1,995	215	1,318	2,390	257	1,706	2,936	495	6,959	-	79,335	6,083	-	85,418	84,122	
-	12,589	5,098	8,170	2,471	3,528	602	6,132	10,255	973	129	17,809	5,123	30,162	654	264,060	45,241	-	309,301	287,963	
29	4,377	2,465	12,491	3,026	16,790	259	1,672	14,964	1,480	61	22,419	979	51,696	299	304,168	20,735	-	324,903	275,092	
-	613	-	-	-	-	-	-	-	-	-	-	-	-	-	613	-	-	613	3,144	
-	5,450	1,507	2,260	1,507	-	-	771	4,521	753	-	4,463	178	3,712	66,623	152,468	92,217	-	244,685	195,562	
\$ 43,810	\$ 616,063	\$ 140,821	\$ 346,567	\$ 111,953	\$ 293,972	\$ 38,343	\$ 125,900	\$ 294,701	\$ 27,471	\$ 191,823	\$ 411,349	\$ 68,566	\$ 827,167	\$ 164,317	\$ 12,137,176	\$ 1,224,036	\$ 231,179	\$ 13,592,391	\$ 13,220,031	

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 861,512	\$ 2,049,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	244,685	195,562
Unrealized gain on investments	(50,064)	(37,188)
(Increase) Decrease in operating assets		
Grants receivable	23,983	(105,245)
Program service fees receivable	2,702	(193,491)
Miscellaneous receivables	14,507	(15,893)
Other assets	31,878	(53,700)
Prepaid expenses	4,518	35
Unconditional promises to give - Foundation	107,651	(39,010)
Increase (Decrease) in operating liabilities		
Annuities payable	(1,000)	(6,000)
Grant advances	7,989	3,965
Deferred revenue	168,943	245,161
Client accounts	(1,974)	(2,951)
Accrued employee benefit plan	5,897	(2,225)
Accrued vacation and holiday pay	13,785	21,217
Accrued estimated state unemployment liability	50,578	49,997
Restricted contributions	(802)	(29,144)
Net Cash Provided by Operating Activities	1,484,788	2,080,290
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	(707,989)	181,768
(Purchases) sales of investments restricted to YSS Foundation, net	(135,031)	(780,785)
Payments for property and equipment	(628,119)	(688,847)
(Decrease) Increase in cash surrender value of life insurance	(8,074)	7,987
Net Cash (Used) by Investing Activities	(1,479,213)	(1,279,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(4,692)	(835,991)
Specified donations collections	802	29,144
Net Cash (Used) by Financing Activities	(3,890)	(806,847)
Net Increase (Decrease) in Cash and Cash Equivalents	1,685	(6,434)
Cash and Cash Equivalents at Beginning of Year	38,970	45,404
Cash and Cash Equivalents at End of Year	\$ 40,655	\$ 38,970

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, 2010, 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 16, 2011, the date the financial statements were available to be issued.

2. Investments. Short-term investments of \$1,903,590 at June 30, 2011, 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	\$ 702,468	\$ 702,468	\$ -
Equity Mutual Funds	236,180	283,648	47,468
Bond Mutual Funds	<u>889,608</u>	<u>917,474</u>	<u>27,866</u>
	<u>\$1,828,256</u>	<u>\$1,903,590</u>	<u>\$ 75,334</u>

Investment return is summarized as follows:

Investment income	\$30,844
Unrealized gain	<u>50,064</u>
Total investment return	<u>\$80,908</u>

Expenses relating to investment revenues including custodial fees amounted to \$11,931 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, 2011:

	<u>Cost</u>	<u>Fair Value</u>	Unrealized Appreciation (Depreciation)
Cash	\$ 87,478	\$ 87,478	\$ -
Money Market Funds	442,364	442,364	-
Equity Mutual Funds	1,694,732	2,159,589	464,857
Bond Mutual Funds	<u>1,712,746</u>	<u>1,835,875</u>	<u>123,129</u>
	<u>\$3,937,320</u>	<u>\$4,525,306</u>	<u>\$ 587,986</u>

3. Fair Value Measurements. Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)
Investments	<u>\$1,903,590</u>	<u>\$1,903,590</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, 2011, are as follows:

Capital campaign and endowment	\$ <u>899,043</u>
Receivable in less than one year	\$ 93,847
Receivable in one to five years	116,675
Receivable in more than five years	<u>688,521</u>
Total unconditional promises to give	899,043
Less discounts to net present value	(369,951)
Less allowance for uncollectible promises receivable	<u>(52,660)</u>
Net unconditional promises to give at June 30, 2011	\$ <u>476,432</u>

Promises to give receivable in more than one year are discounted at 4.38%

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

	2011	2010
Land	\$ 847,942	\$ 847,942
Buildings and improvements	5,240,455	4,721,325
Furniture and equipment	<u>1,227,882</u>	<u>1,120,847</u>
	7,316,279	6,690,114
Accumulated Depreciation	<u>(3,639,069)</u>	<u>(3,396,338)</u>
	\$ <u>3,677,210</u>	\$ <u>3,293,776</u>

Depreciation expense for the years ended June 30, 2011, and 2010, was \$244,685 and \$195,562 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, 2011 are:

Years Ending June 30	Amount
2012	\$ 173,740
2013	<u>32,200</u>
	\$ <u>205,940</u>

The Organization paid rent of \$260,602 and \$197,645 for the years ended June 30, 2011 and 2010, respectively.

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 \$908,481 and \$857,903 at June 30, 2011, and 2010, 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 \$194,694 and \$192,018 for the years ended June 30, 2011 and 2010, respectively.
9. Notes Payable. Notes payable of \$4,963 at June 30, 2011, 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 \$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>2011</u>	<u>2010</u>
Specified by donors	\$ 27,599	\$ 26,797
Interest in net assets of foundation	4,998,997	4,710,764
	<u>\$ 5,026,596</u>	<u>\$ 4,737,561</u>

11. Cash Flow Information. Interest paid was \$0 and \$0 for the years ended June 30, 2011 and 2010, 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 2008, 2009 and 2010 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, 2011

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	2011
ASSETS			
Cash	\$ 40,655	\$ -	\$ 40,655
Investments	1,903,590	-	1,903,590
Receivables			
Grants	546,705	-	546,705
Program service fees, less allowance for doubtful accounts of \$9,000 in 2010	361,337	-	361,337
Miscellaneous	5,189	-	5,189
Other assets	21,822	-	21,822
Prepaid expenses	7,853	-	7,853
Cash surrender value of life insurance	53,612	-	53,612
Cash surrender value of life insurance - Foundation	-	75,647	75,647
Cash and investments restricted for YSS Foundation	-	4,525,306	4,525,306
Unconditional promises to give - Foundation	-	476,432	476,432
Land	847,942	-	847,942
Property and equipment, less accumulated depreciation	2,829,268	-	2,829,268
Total Assets	\$ 6,617,973	\$ 5,077,385	\$ 11,695,358
LIABILITIES			
Grant advances	\$ 51,622	\$ -	\$ 51,622
Deferred revenue	703,569	-	703,569
Client accounts	15,198	-	15,198
Accrued expenses			
Employee benefit plan	15,686	-	15,686
Vacation and holiday pay	324,531	-	324,531
Estimated state unemployment liability	908,481	-	908,481
Note payable	4,963	-	4,963
Annuities Payable - Foundation	-	45,000	45,000
Total Liabilities	2,024,050	45,000	2,069,050
INTERFUND BORROWINGS			
Due to general fund	34,260	-	34,260
Due (from) Foundation	-	(33,388)	(33,388)
Due (from) specified fund	(872)	-	(872)
Total Interfund Borrowings	33,388	(33,388)	-
NET ASSETS			
Unrestricted	4,599,712	-	4,599,712
Temporarily restricted	27,599	4,998,997	5,026,596
Total Net Assets	4,627,311	4,998,997	9,626,308
Total Liabilities and Net Assets	\$ 6,617,973	\$ 5,077,385	\$ 11,695,358

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	2011 Total
REVENUES AND OTHER SUPPORT					
Specified Donations	\$ -	\$ 802	\$ 802	\$ -	\$ 802
Grants	373,062	-	373,062	-	373,062
United Way	485,391	-	485,391	-	485,391
Fees and grants from Governmental Agencies	7,750,719	-	7,750,719	-	7,750,719
Program Service Fees	4,093,539	-	4,093,539	-	4,093,539
Investment return	80,908	-	80,908	-	80,908
Miscellaneous revenue	46,299	-	46,299	-	46,299
Youth & Shelter Services Foundation revenues	-	-	-	1,623,183	1,623,183
Net assets released from restrictions					
Restrictions satisfied by payments	1,334,950	-	1,334,950	(1,334,950)	-
Total Revenues and Other Support	14,164,868	802	14,165,670	288,233	14,453,903
EXPENSES					
Program Services					
Adolescent Pregnancy Prevention	99,574	-	99,574	-	99,574
AMP	5,396	-	5,396	-	5,396
Boone Kids Club	59,450	-	59,450	-	59,450
Boone Mentoring & Grip	63,693	-	63,693	-	63,693
Boone Substance Abuse Prevention	25,964	-	25,964	-	25,964
Chemical Dependency Services - Outpatient	318,501	-	318,501	-	318,501
Chemical Dependency Services - Residential	1,367,835	-	1,367,835	-	1,367,835
Community Youth & Family Development	114,864	-	114,864	-	114,864
Family Counseling Center	449,152	-	449,152	-	449,152
FFC/Adopt/Kids Net	684,422	-	684,422	-	684,422
Hamilton County Youth & Family Center	329,825	-	329,825	-	329,825
Boone County Transitional Living/Lighthouse	143,366	-	143,366	-	143,366
Iowa Aftercare Services Network	2,987,049	-	2,987,049	-	2,987,049
Iowa Homeless Youth Center	1,568,435	-	1,568,435	-	1,568,435
Juvenile Community Treatment Services Network	168,003	-	168,003	-	168,003
Marshall Kids Club	48,824	-	48,824	-	48,824
Risky Business Conference	43,810	-	43,810	-	43,810
Rosedale Emergency Shelter House	616,063	-	616,063	-	616,063
Story County Healthy Futures	140,821	-	140,821	-	140,821
Story Kids Club	346,567	-	346,567	-	346,567
Story Mentoring & Grip	111,953	-	111,953	-	111,953
Substance Abuse Prevention	293,972	-	293,972	-	293,972
Tobacco Comprehensive Prevention	38,343	-	38,343	-	38,343
Story County Transitional Living/Lighthouse	125,900	-	125,900	-	125,900
Young Parents	294,701	-	294,701	-	294,701
Youth Employment	27,471	-	27,471	-	27,471
YSS Foundation, Inc.	191,823	-	191,823	-	191,823
YSS of Boone County	411,349	-	411,349	-	411,349
YSS of Eastern Story County	68,566	-	68,566	-	68,566
YSS of Marshall County	827,167	-	827,167	-	827,167
Family Life Center	164,317	-	164,317	-	164,317
Supporting Activities					
General and Administrative	1,224,036	-	1,224,036	-	1,224,036
Fund Raising	231,179	-	231,179	-	231,179
Total Expenses	13,592,391	-	13,592,391	-	13,592,391
Increase in Net Assets	572,477	802	573,279	288,233	861,512
Net Assets at Beginning of Year	4,027,235	26,797	4,054,032	4,710,764	8,764,796
Net Assets at End of Year	\$ 4,599,712	\$ 27,599	\$ 4,627,311	\$ 4,998,997	\$ 9,626,308

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2011
(With Comparative Totals for Year Ended June 30, 2010)

	2011	2010
Cities/Counties	\$ 323,207	\$ 323,959
Story County - Juvenile Court	283,593	294,975
Department of Human Services - Fees	378,709	376,788
Shelter Care Reimbursements - Counties	124,042	89,141
Department of Public Health - Prevention	82,733	83,662
Department of Public Health - Counties	22,743	20,933
Department of Public Health - Innovative	46,194	39,831
Department of Housing & Urban Development	503,255	605,753
Department of Education	64,065	62,591
Department of Health & Human Services - Runaway Center	132,689	117,248
Department of Health & Human Services - Runaway Outreach	35,417	136,251
Department of Health & Human Services - Transitional Living	203,456	194,260
Department of Human Rights - Family Meetings	44,800	51,575
Department of Human Rights - Family Development	291,589	270,221
Department of Health & Human Services - Drug Free Communities	53,525	43,781
Department of Public Health - Mentoring	47,210	53,000
Criminal and Juvenile Justice - Rural Homeless	78,285	52,857
Department of Human Services - Adolescent Pregnancy	101,587	107,500
FEMA	5,702	17,522
City of Des Moines - CDBG	167,000	153,936
Department of Human Rights - Decategorization	266,286	352,159
Department of Human Services - Pregnancy Prevention	17,399	17,586
Department of Public Health - Disaster Relief	530	15,000
Department of Public Health - Comprehensive Prevention Initiative	-	500
Department of Public Health - Tobacco Use Prevention	43,893	67,852
Department of Human Services - Iowa Aftercare	4,181,794	4,106,815
Department of Public Health - Youth Development Project	47,140	52,428
Department of Public Health - JEL	6,116	6,400
Department of Public Health - School Climate Initiative	-	1,000
Department of Justice - Healthy Futures	100,055	120,564
Adolescent Pregnancy Prevention	10,840	5,515
Iowa Workforce	500	1,000
Iowa Department of Economic Development	-	200
Iowa Department of Public Health - SPF/SIG	11,385	-
Boone Comp Prevention	27,480	-
EGS	47,500	-
Totals	\$ 7,750,719	\$ 7,842,803

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 82,733	\$ 47,210	\$ 47,140	\$ 11,385	\$ 46,094	\$ 43,893	\$ 27,480
Iowa Department of Public Health Incentive	-	-	215	-	100	-	-
County Government	-	-	-	-	8,389	7,395	-
United Way	-	-	-	-	1,344	3,915	-
Donations	-	-	-	-	13,314	2,286	-
Total Revenues	82,733	47,210	47,355	11,385	69,241	57,489	27,480
Expenses							
Administration	10,683	4,469	622	1,292	7,645	5,334	593
Salaries	56,879	34,660	28,728	4,361	45,391	41,311	18,174
Personnel benefits	13,629	6,488	7,984	1,310	11,519	6,129	5,241
Travel	1,542	1,099	1,096	551	100	259	961
Staff training and education	-	-	-	-	187	120	-
Contracted services	-	-	3,414	-	156	653	-
Insurance	-	-	-	-	-	205	-
Occupancy	-	-	-	570	2,190	2,237	600
Supplies	-	494	5,511	763	402	566	358
Telephone	-	-	-	867	1,285	603	1,553
Other expenses	-	-	-	1,671	366	72	-
Total Expenses	82,733	47,210	47,355	11,385	69,241	57,489	27,480
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, 2011

	Department of Human Rights	Department of Human Rights
	FaDDS	FaDDS
Revenues		
Department of Human Rights	\$ 285,964	\$ 5,625
County Government	7,242	-
City Government	18,067	-
United Way	7,536	-
Donations	2,955	-
Total Revenues	321,764	5,625
Expenses		
Administration	34,057	405
Salaries	159,170	5,220
Personnel benefits	37,806	-
Travel	14,734	-
Contracted services	42,809	-
Insurance	989	-
Occupancy	11,827	-
Supplies	7,611	-
Telephone	10,686	-
Other expenses	2,075	-
Total Expenses	321,764	5,625
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, 2011

	Iowa Aftercare Services	Iowa Aftercare Services PAL	Total
Revenues			
Department of Human Services	\$ 669,285	\$ 3,175,468	\$ 3,844,753
Total Revenues	669,285	3,175,468	3,844,753
Expenses			
Administration	58,631	73,125	131,756
Contracted services			
Youth and Shelter Services, Inc.	201,065	542,478	743,543
American Home Finding	18,789	92,231	111,020
Boys and Girls Home	39,781	263,256	303,037
Children's Square	62,117	753,754	815,871
Francis Lauer	17,825	82,997	100,822
Foundation 2	41,052	80,804	121,856
Four Oaks	94,665	649,396	744,061
Youth Policy Institute	95,414	120,470	215,884
Children & Families of Iowa	12,948	103,961	116,909
Young House	19,374	103,597	122,971
Youth Homes of Mid America	489	150,974	151,463
Family Resources, Inc.	7,135	158,425	165,560
Total Expenses	669,285	3,175,468	3,844,753
Total revenue over (under) expenses	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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	IA26B602007	\$ 40,153
Transitional Living	14.235	IA26B702011	93,505
Transitional Living	14.235	IA26B702011	184,501
Transitional Living	14.235	IA19B70011003	21,623
Transitional Living	14.235	IA26B701002	98,261
Transitional Living	14.235	IA26B702004	56,598
Transitional Living	14.235	IA26B701004	127,915
Transitional Living	14.235	IA26B701003	65,199
Subtotal Direct Programs			687,755
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2008024	60,000
City of Des Moines	14.218	HESG2010011	12,000
City of Des Moines	14.218		5,000
City of Des Moines	14.231	11-II-77191	12,500
City of Des Moines	14.231	10-II-77016	19,500
City of Des Moines	14.231	10-II-77191	19,500
Total U.S. Department of Housing and Urban Development			816,255
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	5H795P014928-08	135,991
Runaway/Homeless Youth Grant	93.623	90CY247476-01	132,689
Transitional Living	93.550	07CX0508-003	199,456
Street Outreach	93.557	07Y003803	16,667
Street Outreach	93.557	07Y003604	18,750
Subtotal Direct Programs			503,553

**YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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	5881CP02	26,106
Comprehensive Substance Abuse Prevention	93.959	5889CP01	78,714
Building Strategic Prevention	93.243	5881IP09	11,000
FaDSS	93.558	FaDSS-11-23	154,421
Total U.S. Department of Health and Human Services			773,794
U.S. Department of Homeland Security:			
FEMA	97.024		5,702
Total U.S. Department of Homeland Security			5,702
Pass-Through Program From: Iowa Department of Human Services			
Family Team Meetings	FSA4-09-002		44,800
Total Expenditures of Federal Awards			\$ 1,640,551

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, 2011, and have issued our report thereon dated September 16, 2011. 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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However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 16, 2011.

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.

Houston & Seeman, P.C.
Boone, Iowa

September 16, 2011

HOUSTON & SEEMAN, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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, 2011.

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.

Houston & Seeman, P.C.
Boone, Iowa

September 16, 2011

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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) A significant deficiency in internal control over financial reporting was reported during the audit of the financial statements. No material weaknesses were reported.
- (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:
2011-1 Payroll
Condition: The Organization was not making retirement contributions for some part-time employees that were entitled to receive the benefit.
Criteria: Internal controls should be in place to provide reasonable assurance that individuals entitled to benefits receive them as provided by the Organization's policies.
Cause: Procedures are not in place to train the appropriate Organization personnel about the requirements of the retirement plan.
Effect: Because of the procedure not in place as mentioned above, some employees that were entitled to receive retirement benefits did not.
Recommendation: Procedures should be implemented which would require the administrator of the retirement plan to train the appropriate personnel about the plan's requirements.
Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and recommended procedures will be implemented and the affected employees will receive the benefits they were entitled to.

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 16, 2011

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, 2011 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 16, 2011. This letter does not affect our report dated September 16, 2011, 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, 2011 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, and 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 fourth 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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