

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

Year Ended June 30, 2012

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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, 2012 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 2011 financial statements and, in our report dated September 16, 2011, 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, 2012 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 21, 2012, 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 21, 2012



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YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals For June 30, 2011)

	2012	2011
ASSETS		
Cash	\$ 40,766	\$ 40,655
Investments	1,021,934	1,903,590
Receivables		
Grants	747,987	546,705
Program service fees, less allowance for doubtful accounts of \$20,000 in 2012 and \$9,000 in 2011	487,057	361,337
Miscellaneous	17,129	5,189
Other assets	-	21,822
Prepaid expenses	4,339	7,853
Cash surrender value of life insurance	53,612	53,612
Cash surrender value of life insurance - Foundation	76,891	75,647
Cash and investments restricted for YSS Foundation	4,294,783	4,525,306
Unconditional promises to give - Foundation	510,199	476,432
Land	847,942	847,942
Property and equipment, less accumulated depreciation	2,717,712	2,829,268
<hr/>		
Total Assets	\$ 10,820,351	\$ 11,695,358

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals For June 30, 2011)

	2012	2011
LIABILITIES		
Accounts payable	\$ 17,613	\$ -
Grant advances	136,239	51,622
Deferred revenue	299,700	703,569
Client accounts	11,416	15,198
Accrued expenses		
Employee benefit plan	14,788	15,686
Vacation and holiday pay	350,899	324,531
Estimated state unemployment liability	962,424	908,481
Note payable	1,982	4,963
Annuities payable - Foundation	45,000	45,000
Total Liabilities	1,840,061	2,069,050
INTERFUND BORROWINGS		
Due to general fund	116,430	34,260
Due (from) Foundation	(43,187)	(33,388)
Due to (from) specified fund	(73,243)	(872)
Total Interfund Borrowings	-	-
NET ASSETS		
Unrestricted	4,186,604	4,599,712
Temporarily restricted	4,793,686	5,026,596
Total Net Assets	8,980,290	9,626,308
Total Liabilities and Net Assets	\$ 10,820,351	\$ 11,695,358

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUES AND OTHER SUPPORT				
Specified Donations	\$ -	\$ -	\$ -	\$ 802
Grants	332,351	-	332,351	373,062
United Way	432,201	-	432,201	485,391
Fees and grants from Governmental Agencies	8,040,952	-	8,040,952	7,750,719
Program Service Fees	4,091,092	-	4,091,092	4,093,539
Investment return	9,311	-	9,311	80,908
Miscellaneous revenue	53,917	-	53,917	46,299
Youth & Shelter Services Foundation revenues	-	893,314	893,314	1,623,183
Net assets released from restrictions				
Restrictions satisfied by payments	1,126,224	(1,126,224)	-	-
Total Revenues and Other Support	14,086,048	(232,910)	13,853,138	14,453,903
EXPENSES				
Program Services				
Adolescent Pregnancy Prevention	124,471	-	124,471	99,574
AMP	211,765	-	211,765	5,396
Positive Solutions for Parents	30,578	-	30,578	-
Boone Kids Club	75,882	-	75,882	59,450
Boone Mentoring & Grip	45,693	-	45,693	63,693
Boone Substance Abuse Prevention	35,872	-	35,872	25,964
Chemical Dependency Services - Outpatient	374,333	-	374,333	318,501
Chemical Dependency Services - Residential	1,409,667	-	1,409,667	1,367,835
Community Youth & Family Development	92,959	-	92,959	114,864
Family Counseling Center	566,732	-	566,732	449,152
FFC/Adopt/Kids Net	654,477	-	654,477	684,422
Hamilton County Youth & Family Center	348,183	-	348,183	329,825
Boone County Transitional Living/Lighthouse	148,066	-	148,066	143,366
Iowa Aftercare Services Network	3,446,509	-	3,446,509	2,987,049
Iowa Homeless Youth Center	1,223,296	-	1,223,296	1,568,435
IHYC/Aftercare	309,410	-	309,410	-
IHYC/PSERP	72,224	-	72,224	-
Juvenile Community Treatment Services Network	176,718	-	176,718	168,003
Marshall Kids Club	46,209	-	46,209	48,824
Risky Business Conference	50,716	-	50,716	43,810
Rosedale Emergency Shelter House	646,204	-	646,204	616,063
Story County Healthy Futures	142,469	-	142,469	140,821
Story Kids Club	350,245	-	350,245	346,567
Story Mentoring & Grip	89,253	-	89,253	111,953
Substance Abuse Prevention	286,407	-	286,407	293,972
Tobacco Comprehensive Prevention	39,814	-	39,814	38,343
Story County Transitional Living/Lighthouse	137,163	-	137,163	125,900
Young Parents	295,934	-	295,934	294,701
Youth Employment	27,498	-	27,498	27,471
YSS Foundation, Inc.	195,783	-	195,783	191,823
YSS of Boone County	416,115	-	416,115	411,349
YSS of Eastern Story County	98,147	-	98,147	68,566
YSS of Marshall County	774,815	-	774,815	827,167
Family Life Center	4,346	-	4,346	164,317
Supporting Activities				
General and Administrative	1,327,855	-	1,327,855	1,224,036
Fund Raising	223,348	-	223,348	231,179
Total Expenses	14,499,156	-	14,499,156	13,592,391
Increase in Net Assets	(413,108)	(232,910)	(646,018)	861,512
Net Assets at Beginning of Year	4,599,712	5,026,596	9,626,308	8,764,796
Net Assets at End of Year	\$ 4,186,604	\$ 4,793,686	\$ 8,980,290	\$ 9,626,308

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	Adolescent Pregnancy Prevention	AMP	Positive Solutions for Parents	Boone Kids Club	Boone Mentoring & Grip	Boone Substance Abuse Prevention	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	IHYC Aftercare	IHYC PSERP	Juvenile Community Treatment Services Network	
Compensation and Related Expenses																			
Compensation	\$ 81,083	\$ 65,603	\$ -	\$ 53,856	\$ 38,226	\$ 22,631	\$ 237,041	\$ 778,071	\$ 46,409	\$ 357,552	\$ 327,453	\$ 199,843	\$ 69,735	\$ -	\$ 661,069	\$ 112,588	\$ 30,240	\$ -	
Employee benefits																			
Medical	10,011	-	-	3,065	-	1,474	17,884	87,800	7,102	37,738	42,050	14,528	7,487	-	71,881	9,289	3,482	-	
Other	1,728	-	-	901	-	422	5,881	21,155	-	10,646	14,253	6,123	2,474	-	24,202	2,204	1,724	-	
Payroll taxes	7,060	4,679	-	4,678	2,739	1,802	19,991	67,424	3,792	29,412	28,036	16,873	4,817	-	57,154	10,057	2,609	-	
Total Compensation and Related Expenses	99,882	70,282	-	62,500	40,965	26,329	280,797	954,450	57,303	435,348	411,792	237,367	84,513	-	814,306	134,138	38,055	-	
Conferences	1,838	7,864	-	222	-	-	1,146	7,652	1,342	2,015	1,420	962	1,261	-	8,369	1,525	-	-	
Dues	101	-	-	52	-	-	374	2,959	628	471	690	863	46	-	1,010	1,759	-	-	
Food	-	4,072	1,673	2,273	-	-	-	8,614	877	-	-	-	787	-	1,174	1,041	-	-	
Insurance																			
Property	318	-	-	159	-	-	1,140	11,535	368	1,433	2,542	1,086	828	-	5,648	-	-	-	
Other	337	571	-	176	-	-	1,266	5,700	303	1,574	1,781	1,193	952	8,314	5,992	-	-	-	
Workmans comp	1,272	-	-	466	-	223	3,513	13,425	760	6,292	6,257	4,917	2,313	-	13,793	1,584	594	-	
Equipment maintenance & repair	854	25,075	-	-	-	6,384	-	23,904	-	2,333	3,493	574	78	2,810	1,542	59	-	-	
Miscellaneous	1,728	-	-	-	-	-	9	5,335	-	502	1,133	300	8	-	6,163	6,284	-	-	
Occupancy																			
Rent	502	-	1,313	-	1,613	523	-	-	-	-	-	-	18,785	-	45,547	2,803	-	-	
Utilities	465	567	-	-	18	13	1,656	20,215	1,973	6,966	6,441	2,499	5,814	-	40,437	-	-	-	
Repairs & maintenance	-	4,000	-	-	-	1,167	3,371	59,891	5,019	12,949	9,580	4,613	6,579	-	24,875	252	-	-	
Postage	235	519	-	103	-	-	782	2,141	200	929	1,382	1,013	846	1,547	8,498	-	-	-	
Printing	354	1,940	-	32	-	380	636	1,936	931	624	430	5,255	319	2,084	6,721	-	-	-	
Professional fees	5,766	57,495	22,889	668	-	-	32,311	145,437	13,279	8,869	7,002	4,467	5,296	3,426,531	45,902	-	-	176,718	
Public relations	300	2,459	1,180	-	-	-	-	5,548	-	-	423	-	-	-	843	-	-	-	
Specific assistance	-	16,140	-	-	-	-	-	4,678	-	2,799	115,136	39,154	7,708	-	15,101	131,108	32,568	-	
Subscriptions	-	-	-	11	-	-	82	999	22	103	148	78	27	-	457	-	-	-	
Activities & Supplies	3,261	2,802	2,054	5,422	313	74	136	14,951	3,090	544	701	418	397	-	67,095	206	-	-	
Office supplies	266	1,989	475	534	-	241	3,731	17,082	1,483	7,169	5,366	3,230	2,585	5,223	18,535	3,920	-	-	
Telephone	2,482	3,616	616	1,085	1,481	89	9,539	34,847	406	23,429	22,722	13,341	4,768	-	20,411	22,749	577	-	
Travel & transportation	4,510	12,374	378	2,179	1,303	449	154	26,896	4,975	22,593	46,455	22,767	2,868	-	55,574	1,982	430	-	
Uncollectible fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	-	-	-	-	-	33,690	41,472	-	29,790	9,583	4,086	1,288	-	15,303	-	-	-	
Totals	\$ 124,471	\$ 211,765	\$ 30,578	\$ 75,882	\$ 45,693	\$ 35,872	\$ 374,333	\$ 1,409,667	\$ 92,959	\$ 566,732	\$ 654,477	\$ 348,183	\$ 148,066	\$ 3,446,509	\$ 1,223,296	\$ 309,410	\$ 72,224	\$ 176,718	

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

Marshall Kids Club	Risky Business Conference	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	Fundraising	2012 Total Program and Support Service Expenses	2011 Totals
\$ 34,117	\$ 6,346	\$ 450,736	\$ 83,243	\$ 239,489	\$ 73,975	\$ 183,968	\$ 28,933	\$ 45,860	\$ 166,019	\$ 20,524	\$ 45,760	\$ 254,761	\$ 55,392	\$ 395,018	\$ -	\$ 5,165,541	\$ 813,228	\$ 156,757	\$ 6,135,526	\$ 5,813,720
2,746	-	33,008	11,922	15,343	-	14,777	2,921	4,881	12,077	1,778	6,471	32,196	8,251	33,365	-	493,527	47,286	-	540,813	506,589
883	-	12,130	2,574	5,822	-	4,874	352	2,029	4,994	476	2,604	10,196	1,376	14,065	-	154,088	41,674	30,333	226,095	278,856
2,962	450	38,853	7,004	21,024	5,560	15,787	2,611	3,053	13,492	1,662	3,285	22,171	4,602	32,843	-	436,482	71,382	8,857	516,721	490,765
40,708	6,796	534,727	104,743	281,678	79,535	219,406	34,817	55,823	196,582	24,440	58,120	319,324	69,621	475,291	-	6,249,638	973,570	195,947	7,419,155	7,089,930
120	-	1,574	482	2,445	15	6,592	40	239	1,846	55	377	7,938	161	3,144	-	60,644	6,344	-	66,988	68,834
-	2,810	590	115	597	300	839	21	180	366	28	610	907	209	1,792	-	18,317	4,025	-	22,342	28,869
926	10,463	5,683	-	9,843	-	-	-	-	-	-	25,887	92	-	1,538	-	74,943	-	-	74,943	58,565
-	-	1,798	350	1,189	-	817	62	898	-	85	-	1,336	230	2,220	-	34,042	4,045	-	38,087	32,364
-	-	1,973	387	1,306	-	995	66	-	1,012	91	-	1,581	272	2,798	-	38,640	4,427	-	43,067	37,977
456	-	5,261	1,028	3,024	-	2,522	184	1,034	2,593	245	-	5,343	678	7,476	-	85,253	11,685	-	96,938	85,807
-	-	1,788	-	-	-	-	-	503	-	-	-	339	8,389	1,834	2,495	82,454	29,949	-	112,403	198,431
-	290	1,401	698	502	-	-	-	839	-	-	10,275	637	-	2,525	-	38,629	12,905	-	51,534	124,327
-	9,546	-	-	-	-	-	-	41,511	4,597	-	-	8,400	-	94,528	-	229,668	2,130	-	231,798	260,602
-	-	13,369	237	1,055	552	1,377	580	9,853	2,000	228	-	1,091	1,832	16,529	-	135,767	20,886	-	156,653	163,429
-	-	24,090	1,525	3,120	564	1,851	1,600	6,080	2,259	616	250	1,378	5,511	7,812	1,851	190,803	50,075	-	240,878	196,290
-	1,335	1,164	228	771	-	565	41	239	665	54	-	2,471	169	2,747	-	28,644	2,704	-	31,348	29,365
-	3,366	374	294	1,412	1,077	1,469	13	302	205	17	53,014	2,835	4,692	6,460	-	97,172	814	27,401	125,387	101,549
-	12,454	18,312	13,563	6,006	200	19,711	650	8,419	47,361	385	325	6,529	1,019	15,172	-	4,102,736	17,475	-	4,120,211	3,576,400
-	-	304	-	-	1,266	4,248	-	-	-	-	30,942	-	-	348	-	47,861	-	-	47,861	38,514
-	620	248	7,060	1,615	-	-	-	845	7,998	-	14,885	-	-	47,393	-	445,056	-	-	445,056	448,641
-	-	142	29	83	-	62	5	27	64	6	-	207	18	427	-	2,997	290	-	3,287	5,543
2,530	-	5,254	4,016	17,911	2,101	5,711	532	846	255	42	-	36	257	8,451	-	149,406	3,790	-	153,196	82,034
-	2,758	6,708	767	2,739	-	3,138	168	904	2,376	218	-	6,180	723	8,696	-	107,204	10,362	-	117,566	85,418
482	-	9,694	4,380	7,834	808	4,967	235	6,621	9,957	712	400	18,531	3,750	25,514	-	256,043	27,713	-	283,756	309,301
987	278	4,059	2,567	7,115	2,835	12,137	800	1,706	15,798	276	-	25,275	277	38,408	-	318,405	18,761	-	337,166	324,903
-	-	904	-	-	-	-	-	-	-	-	-	-	-	-	-	904	-	-	904	613
-	-	6,787	-	-	-	-	-	294	-	-	698	5,685	339	3,712	-	152,727	125,905	-	278,632	244,685
\$ 46,209	\$ 50,716	\$ 646,204	\$ 142,469	\$ 350,245	\$ 89,253	\$ 286,407	\$ 39,814	\$ 137,163	\$ 295,934	\$ 27,498	\$ 195,783	\$ 416,115	\$ 98,147	\$ 774,815	\$ 4,346	\$ 12,947,953	\$ 1,327,855	\$ 223,348	\$ 14,499,156	\$ 13,592,391

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (646,018)	\$ 861,512
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	278,632	244,685
Unrealized (gain) loss on investments	20,291	(50,064)
(Increase) Decrease in operating assets		
Grants receivable	(201,282)	23,983
Program service fees receivable	(125,720)	2,702
Miscellaneous receivables	(11,940)	14,507
Other assets	21,822	31,878
Prepaid expenses	3,514	4,518
Unconditional promises to give - Foundation	(33,767)	107,651
Increase (Decrease) in operating liabilities		
Accounts payable	17,613	-
Grant advances	84,617	7,989
Deferred revenue	(403,869)	168,943
Client accounts	(3,782)	(1,974)
Accrued employee benefit plan	(898)	5,897
Accrued vacation and holiday pay	26,368	13,785
Accrued estimated state unemployment liability	53,943	50,578
Annuities payable	-	(1,000)
Restricted contributions	-	(802)
Net Cash Provided (Used) by Operating Activities	(920,476)	1,484,788
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	861,365	(707,989)
(Purchases) sales of investments restricted to YSS Foundation, net	230,523	(135,031)
Payments for property and equipment	(167,076)	(628,119)
(Decrease) Increase in cash surrender value of life insurance	(1,244)	(8,074)
Net Cash Provided (Used) by Investing Activities	923,568	(1,479,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(2,981)	(4,692)
Specified donations collections	-	802
Net Cash (Used) by Financing Activities	(2,981)	(3,890)
Net Increase in Cash and Cash Equivalents	111	1,685
Cash and Cash Equivalents at Beginning of Year	40,655	38,970
Cash and Cash Equivalents at End of Year	\$ 40,766	\$ 40,655

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, 2011, 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 21, 2012, the date the financial statements were available to be issued.

2. Investments. Short-term investments of \$1,021,934 at June 30, 2012, 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	\$ 223,625	\$ 223,625	\$ -
Equity Mutual Funds	209,292	232,725	23,433
Bond Mutual Funds	<u>533,980</u>	<u>565,584</u>	<u>31,604</u>
	<u>\$ 966,897</u>	<u>\$1,021,934</u>	<u>\$ 55,037</u>

Investment return is summarized as follows:

Investment income	\$29,602
Unrealized loss	(20,291)
Total investment return	<u>\$ 9,311</u>

Expenses relating to investment revenues including custodial fees amounted to \$12,333 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, 2012:

	<u>Cost</u>	<u>Fair Value</u>	Unrealized Appreciation (Depreciation)
Cash	\$ 115,768	\$ 115,768	\$ -
Money Market Funds	145,556	145,556	-
Equity Mutual Funds	1,753,435	2,068,955	315,520
Bond Mutual Funds	<u>1,848,873</u>	<u>1,964,504</u>	<u>115,631</u>
	<u>\$3,863,632</u>	<u>\$4,294,783</u>	<u>\$ 431,151</u>

3. Fair Value Measurements. Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)
Investments	<u>\$1,021,934</u>	<u>\$1,021,934</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, 2012, are as follows:

Capital campaign and endowment	\$ <u>808,181</u>
Receivable in less than one year	\$ 70,610
Receivable in one to five years	49,050
Receivable in more than five years	<u>688,521</u>
Total unconditional promises to give	808,181
Less discounts to net present value	(286,373)
Less allowance for uncollectible promises receivable	<u>(11,609)</u>
Net unconditional promises to give at June 30, 2012	\$ <u>510,199</u>

Promises to give receivable in more than one year are discounted at 2.76%

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

	2012	2011
Land	\$ 847,942	\$ 847,942
Buildings and improvements	5,345,828	5,240,455
Furniture and equipment	<u>1,278,173</u>	<u>1,227,882</u>
	7,471,943	7,316,279
Accumulated Depreciation	<u>(3,906,289)</u>	<u>(3,639,069)</u>
	\$ <u>3,565,654</u>	\$ <u>3,677,210</u>

Depreciation expense for the years ended June 30, 2012, and 2011, was \$278,632 and \$244,685 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, 2012 are:

Years Ending June 30	Amount
2013	\$ 173,740
2014	<u>32,200</u>
	\$ <u>205,940</u>

The Organization paid rent of \$222,252 and \$260,602 for the years ended June 30, 2012 and 2011, 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 \$962,424 and \$908,481 at June 30, 2012, and 2011, respectively.

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

8. Employees Benefits. Youth and Shelter Services, Inc., has two non-qualified deferred compensation plans for their employees. The first is for those employees classified as management, for which the Organization contributes 3% of each participants' compensation. The second is for employees with two years of service, for which the Organization contributes 5% of each participant's compensation. The Organization's contributions totaled \$152,447 and \$192,018 for the years ended June 30, 2012 and 2011, respectively.
9. Tax-deferred Annuity Plan. The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization makes no contributions to the plan.
10. Notes Payable. Note payable of \$1,982 at June 30, 2012, 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 total and \$1,982 in 2013.

11. Restrictions on Net Assets.

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

	2012	2011
Specified by donors	\$ -	\$ 27,599
Interest in net assets of foundation	4,793,686	4,998,997
	\$ 4,493,686	\$ 5,026,596

12. Cash Flow Information. Interest paid was \$0 and \$0 for the years ended June 30, 2012 and 2011, respectively.
13. Net Client Service Revenue. Client service revenue is reported at the estimated realizable amounts from clients, third party payors and others for services rendered.
14. 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 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

15. Contingency. The Organization has received financial awards in the form of grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursements by the grantor agency for any expenditures disallowed under the terms and conditions specified in the grant agreement.

The Organization has a contract under review by the Iowa Department of Human Services which involves Medicaid funding. Medicaid payments have been suspended until the matter is resolved. The probability and amount of loss, if any, is undeterminable.

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	2012
ASSETS			
Cash	\$ 40,766	\$ -	\$ 40,766
Investments	1,021,934	-	1,021,934
Receivables			
Grants	747,987	-	747,987
Program service fees, less allowance for doubtful accounts of \$20,000 in 2012	487,057	-	487,057
Miscellaneous	17,129	-	17,129
Prepaid expenses	4,339	-	4,339
Cash surrender value of life insurance	53,612	-	53,612
Cash surrender value of life insurance - Foundation	-	76,891	76,891
Cash and investments restricted for YSS Foundation	-	4,294,783	4,294,783
Unconditional promises to give - Foundation	-	510,199	510,199
Land	847,942	-	847,942
Property and equipment, less accumulated depreciation	2,717,712	-	2,717,712
Total Assets	\$ 5,938,478	\$ 4,881,873	\$ 10,820,351
LIABILITIES			
Accounts payable	\$ 17,613	\$ -	\$ 17,613
Grant advances	136,239	-	136,239
Deferred revenue	299,700	-	299,700
Client accounts	11,416	-	11,416
Accrued expenses			
Employee benefit plan	14,788	-	14,788
Vacation and holiday pay	350,899	-	350,899
Estimated state unemployment liability	962,424	-	962,424
Note payable	1,982	-	1,982
Annuities Payable - Foundation	-	45,000	45,000
Total Liabilities	1,795,061	45,000	1,840,061
INTERFUND BORROWINGS			
Due to general fund	116,430	-	116,430
Due (from) Foundation	-	(43,187)	(43,187)
Due (from) specified fund	(73,243)	-	(73,243)
Total Interfund Borrowings	43,187	(43,187)	-
NET ASSETS			
Unrestricted	4,186,604	-	4,186,604
Temporarily restricted	-	4,793,686	4,793,686
Total Net Assets	4,186,604	4,793,686	8,980,290
Total Liabilities and Net Assets	\$ 5,938,478	\$ 4,881,873	\$ 10,820,351

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	2012 Total
REVENUES AND OTHER SUPPORT					
Grants	\$ 332,351	\$ -	\$ 332,351	\$ -	\$ 332,351
United Way	432,201	-	432,201	-	432,201
Fees and grants from Governmental Agencies	8,040,952	-	8,040,952	-	8,040,952
Program Service Fees	4,091,092	-	4,091,092	-	4,091,092
Investment return	9,311	-	9,311	-	9,311
Miscellaneous revenue	53,917	-	53,917	-	53,917
Youth & Shelter Services Foundation revenues	-	-	-	893,314	893,314
Net assets released from restrictions					
Restrictions satisfied by payments	1,126,224	(27,599)	1,098,625	(1,098,625)	-
Total Revenues and Other Support	14,086,048	(27,599)	14,058,449	(205,311)	13,853,138
EXPENSES					
Program Services					
Adolescent Pregnancy Prevention	124,471	-	124,471	-	124,471
AMP	211,765	-	211,765	-	211,765
Positive Solutions for Parents	30,578	-	30,578	-	30,578
Boone Kids Club	75,882	-	75,882	-	75,882
Boone Mentoring & Grip	45,693	-	45,693	-	45,693
Boone Substance Abuse Prevention	35,872	-	35,872	-	35,872
Chemical Dependency Services - Outpatient	374,333	-	374,333	-	374,333
Chemical Dependency Services - Residential	1,409,667	-	1,409,667	-	1,409,667
Community Youth & Family Development	92,959	-	92,959	-	92,959
Family Counseling Center	566,732	-	566,732	-	566,732
FFC/Adopt/Kids Net	654,477	-	654,477	-	654,477
Hamilton County Youth & Family Center	348,183	-	348,183	-	348,183
Boone County Transitional Living/Lighthouse	148,066	-	148,066	-	148,066
Iowa Aftercare Services Network	3,446,509	-	3,446,509	-	3,446,509
Iowa Homeless Youth Center	1,223,296	-	1,223,296	-	1,223,296
IHYC/Aftercare	309,410	-	309,410	-	309,410
IHYC/PSERP	72,224	-	72,224	-	72,224
Juvenile Community Treatment Services Network	176,718	-	176,718	-	176,718
Marshall Kids Club	46,209	-	46,209	-	46,209
Risky Business Conference	50,716	-	50,716	-	50,716
Rosedale Emergency Shelter House	646,204	-	646,204	-	646,204
Story County Healthy Futures	142,469	-	142,469	-	142,469
Story Kids Club	350,245	-	350,245	-	350,245
Story Mentoring & Grip	89,253	-	89,253	-	89,253
Substance Abuse Prevention	286,407	-	286,407	-	286,407
Tobacco Comprehensive Prevention	39,814	-	39,814	-	39,814
Story County Transitional Living/Lighthouse	137,163	-	137,163	-	137,163
Young Parents	295,934	-	295,934	-	295,934
Youth Employment	27,498	-	27,498	-	27,498
YSS Foundation, Inc.	195,783	-	195,783	-	195,783
YSS of Boone County	416,115	-	416,115	-	416,115
YSS of Eastern Story County	98,147	-	98,147	-	98,147
YSS of Marshall County	774,815	-	774,815	-	774,815
Family Life Center	4,346	-	4,346	-	4,346
Supporting Activities					
General and Administrative	1,327,855	-	1,327,855	-	1,327,855
Fund Raising	223,348	-	223,348	-	223,348
Total Expenses	14,499,156	-	14,499,156	-	14,499,156
Increase in Net Assets	(413,108)	(27,599)	(440,707)	(205,311)	(646,018)
Net Assets at Beginning of Year	4,599,712	27,599	4,627,311	4,998,997	9,626,308
Net Assets at End of Year	\$ 4,186,604	\$ -	\$ 4,186,604	\$ 4,793,686	\$ 8,980,290

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	2012	2011
Cities/Counties	\$ 507,439	\$ 323,207
Story County - Juvenile Court	312,767	283,593
Department of Human Services - Fees	390,693	378,709
Shelter Care Reimbursements - Counties	144,055	124,042
Department of Public Health - Prevention	89,258	82,733
Department of Public Health - Counties	63,890	22,743
Department of Public Health - Innovative	-	46,194
Department of Housing & Urban Development	609,422	503,255
Department of Education	10,000	64,065
Department of Health & Human Services - Runaway Center	128,859	132,689
Department of Health & Human Services - Runaway Outreach	18,773	35,417
Department of Health & Human Services - Transitional Living	202,335	203,456
Department of Human Rights - Family Meetings	46,225	44,800
Department of Human Rights - Family Development	295,964	291,589
Department of Health & Human Services - Drug Free Communities	103,486	53,525
Department of Public Health - Mentoring	-	47,210
Criminal and Juvenile Justice - Rural Homeless	86,382	78,285
Department of Human Services - Adolescent Pregnancy	122,675	101,587
FEMA	-	5,702
City of Des Moines - CDBG	77,098	167,000
Department of Human Rights - Decategorization	227,486	266,286
Department of Human Services - Pregnancy Prevention	18,424	17,399
Department of Public Health - Disaster Relief	-	530
Department of Public Health - Tobacco Use Prevention	45,539	43,893
Department of Human Services - Iowa Aftercare	4,329,457	4,181,794
Department of Public Health - Youth Development Project	-	47,140
Department of Public Health - JEL	-	6,116
Department of Justice - Healthy Futures	97,975	100,055
Adolescent Pregnancy Prevention	-	10,840
Iowa Workforce	-	500
Iowa Department of Public Health - SPF/SIG	29,940	11,385
Boone Comp Prevention	33,948	27,480
ESG	35,250	47,500
Department of Human Services - CWES Alternative	13,572	-
Totals	\$ 8,040,912	\$ 7,750,719

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Iowa Department of Public Health				
	Comprehensive Substance Abuse Prevention	Prevention Through Mentoring	Youth Development Project	Tobacco Use Prevention & Control	Comprehensive Substance Abuse Prevention
Revenues					
Iowa Department of Public Health	\$ 89,258	\$ 300	\$ 28,440	\$ 45,393	\$ 33,948
Iowa Department of Public Health Incentive	-	-	200	146	-
County Government	3,250	-	-	208	-
City Government	-	-	-	2,577	-
In-kind	-	-	-	7,196	3,250
Donations	-	-	-	1,629	-
Total Revenues	92,508	300	28,640	57,149	37,198
Expenses					
Administration	10,765	-	3,109	5,743	1,722
Salaries	60,753	-	14,059	33,348	20,278
Personnel benefits	14,293	-	1,929	6,068	3,724
Travel	-	-	3,705	800	338
Staff training and education	2,605	-	-	40	-
Contracted services	-	-	600	650	-
Insurance	-	-	-	66	-
Occupancy	-	-	1,567	2,244	-
Supplies	2,892	300	1,602	737	620
Equipment maintenance/rental	-	-	800	-	7,177
Telephone	-	-	1,269	236	89
Other expenses	1,200	-	-	7,217	3,250
Total Expenses	92,508	300	28,640	57,149	37,198
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, 2012

	Department of Human Rights	Department of Human Rights
	FaDDS	FaDDS
Revenues		
Department of Human Rights	\$ 290,964	\$ 5,000
County Government	7,413	-
City Government	3,859	-
Other state	4,366	-
Client fees	3,885	-
United Way	12,873	-
Donations	2,479	-
Total Revenues	325,839	5,000
Expenses		
Administration	33,825	-
Salaries	164,803	-
Personnel benefits	33,065	-
Travel	10,057	5,000
Contracted services	44,207	-
Insurance	728	-
Occupancy	10,879	-
Supplies	11,775	-
Telephone	10,861	-
Other expenses	5,639	-
Total Expenses	325,839	5,000
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, 2012

	Iowa Aftercare Services	Iowa Aftercare Services PAL	Total
Revenues			
Department of Human Services	\$ 873,240	\$ 3,456,217	\$ 4,329,457
Total Revenues	873,240	3,456,217	4,329,457
Expenses			
Administration	55,040	119,705	174,745
Contracted services			
Youth and Shelter Services, Inc.	256,750	502,066	758,816
American Home Finding	38,217	103,937	142,154
Boys and Girls Home	58,371	314,289	372,660
Children's Square	96,948	766,681	863,629
Francis Lauer	15,412	61,965	77,377
Foundation 2	35,558	81,381	116,939
Four Oaks	130,531	790,791	921,322
Youth Policy Institute	108,478	104,614	213,092
Children & Families of Iowa	14,722	114,450	129,172
Young House	45,598	82,395	127,993
Youth Homes of Mid America	2,429	163,444	165,873
Family Resources, Inc.	15,186	250,499	265,685
Total Expenses	873,240	3,456,217	4,329,457
Total revenue over (under) expenses	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	IA19B7011003	\$ 108,110
Transitional Living	14.235	IA26B702011	187,920
Transitional Living	14.235	IA26B702011	93,505
Transitional Living	14.235	IA19B70011003	21,944
Transitional Living	14.235	IA26B702004	56,598
Transitional Living	14.235	IA26B701003	194,444
Subtotal Direct Programs			662,521
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2008024	40,426
City of Des Moines	14.218		19,500
City of Des Moines	14.218		10,000
City of Des Moines	14.231	HESG2010011	12,000
City of Des Moines	14.231	HESG2010011	12,000
Total U.S. Department of Housing and Urban Development			756,447
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	5H795P014928-09	90,486
Drug Free Communities	93.276	5H795P014928-08	36,034
Runaway/Homeless Youth Grant	93.623	90CY247476-01	128,859
Transitional Living	93.550	07CX0508-04	96,337
Street Outreach	93.550	07CX0508-05	105,998
Street Outreach	93.557	07Y003604	18,773
Subtotal Direct Programs			476,487

**YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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	26,849
Comprehensive Substance Abuse Prevention	93.959	5889CP01	80,943
Building Strategic Prevention	93.243	5881IP09	28,440
FaDSS	93.558	FaDSS-23	290,964
Pass-Through Program From: Iowa Department of Human Services			
AMP	93.674	ACFS-12-098	49,995
Iowa Aftercare Services	93.674	ACFS-11-067	791,720
Iowa Aftercare Services - PAL	93.674	ACFS-11-067	400,000
Total U.S. Department of Health and Human Services			2,145,398

Total Expenditures of Federal Awards **\$ 2,901,845**

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, 2012, and have issued our report thereon dated September 21, 2012. 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 2012-1 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*.

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 21, 2012

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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, 2012. 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, 2012.

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 21, 2012

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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 93.674 – Aftercare Services
- (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:

2012-1 Reports Prepared for Outside Agency

Condition: While reviewing a cost report prepared by the Organization the agency in charge of the review determined the report had inadequate supporting documentation. As a result Medicaid funding was suspended until such time as the report could be redone and approved.

Criteria: Supporting documentation used in preparing reports for outside agencies should be organized in such a manner that an independent person with knowledge of that report would be able to understand how it relates to the information presented in the report.

Cause: Although the Organization had supporting documentation for the report, it was not organized in a manner in which the agency in charge of the review could follow it. The Organization does not have procedures in place for an independent review of these types of reports and associated supporting documentation.

Effect: Because the procedure was not in place, the agency that requested documentation was not able to satisfy themselves as to the accuracy of the report, and as stated above is requiring the Organization to redo the report.

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part II: Findings Related to Financial Statements (continued)

(a) Significant Deficiencies:

2012-1 Reports Prepared for Outside Agency (continued)

Recommendation: The Organization should implement procedures to have an independent person review reports prepared for outside agencies as well as the substantiation for the reports. This can be done internally or by the use of an outside agency.

Views of Responsible Officials and Planned Corrective Actions: We have taken steps to correct this issue. We have hired an outside accounting firm to oversee the preparation of the reports. We will also implement procedures to ensure reports and their supporting documentation are presented in a clear and concise manner and all reports are adequately reviewed.

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).