

YOUTH AND SHELTER SERVICES, INC.
**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
Year Ended June 30, 2013

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HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
724 Story Street, Suite 601
Boone, IA 50036-2871

Kevin N. Houston, CPA
Eric G. Seeman, CPA

Telephone: (515) 432-1176
Fax: (515) 432-1186

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Youth and Shelter Services, Inc. (a nonprofit organization) and affiliate which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Report on Summarized Comparative Information

We have previously audited Youth and Shelter Service's 2012 financial statements, and our report dated September 15, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of Consolidating Statements of Financial Position and Activities, Fees and Grants from Governmental Agencies, Schedules of Selected Contract Revenue and Expenses – Contract Basis and Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, 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* in considering Youth and Shelter Services, Inc's internal control over financial reporting and compliance.



Houston & Seeman, P.C.

September 20, 2013

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(With Comparative Totals For June 30, 2012)

	2013	2012
ASSETS		
Cash	\$ 97,958	\$ 40,766
Investments	4,339,307	5,316,717
Receivables		
Grants	837,121	747,987
Program service fees, less allowance for doubtful accounts of \$20,000 in 2013 and \$20,000 in 2012	1,333,258	487,057
Miscellaneous	8,219	17,129
Prepaid expenses	3,845	4,339
Cash surrender value of life insurance	106,927	130,503
Unconditional promises to give	775,062	510,199
Land	847,942	847,942
Property and equipment, less accumulated depreciation	2,632,514	2,717,712
Total Assets	10,982,153	10,820,351
INTERFUND BORROWINGS		
Due to (from) general fund	(162,424)	116,430
Due to (from) Foundation	107,185	(43,187)
Due to (from) specified fund	55,239	(73,243)
Total Interfund Borrowings	-	-
Total Assets	\$ 10,982,153	\$ 10,820,351

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(With Comparative Totals For June 30, 2012)

	2013	2012
LIABILITIES		
Accounts payable	\$ 24,616	\$ 17,613
Payable - Magellan	166,924	-
Grant advances	76,141	136,239
Deferred revenue	108,897	299,700
Client accounts	13,045	11,416
Accrued expenses		
Employee benefit plan	13,432	14,788
Vacation and holiday pay	312,447	350,899
Estimated state unemployment liability	962,798	962,424
Note payable	150,000	1,982
Annuities payable	4,000	45,000
Total Liabilities	1,832,300	1,840,061
NET ASSETS		
Unrestricted	3,875,178	4,186,604
Temporarily restricted	5,274,675	4,793,686
Total Net Assets	9,149,853	8,980,290
Total Liabilities and Net Assets	\$ 10,982,153	\$ 10,820,351

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 1,249,570	\$ 449,070	\$ 1,698,640	\$ 893,314
Grants	350,933	-	350,933	332,351
United Way	438,909	-	438,909	432,201
Fees and grants from Governmental Agencies	7,601,631	-	7,601,631	7,989,016
Program Service Fees	3,788,858	-	3,788,858	4,143,028
Investment return	22,149	256,621	278,770	9,311
Miscellaneous revenue	18,860	910	19,770	53,917
Net assets released from restrictions				
Restrictions satisfied by payments	225,612	(225,612)	-	-
Total Revenues and Other Support	13,696,522	480,989	14,177,511	13,853,138
EXPENSES				
Program Services				
Adolescent Pregnancy Prevention	151,398	-	151,398	124,471
AMP	263,317	-	263,317	211,765
Positive Solutions for Parents	23,364	-	23,364	30,578
Boone Kids Club	112,901	-	112,901	75,882
Boone Mentoring & Grip	38,986	-	38,986	45,693
Boone Substance Abuse Prevention	27,840	-	27,840	35,872
Chemical Dependency Services - Outpatient	416,551	-	416,551	374,333
Chemical Dependency Services - Residential	1,350,236	-	1,350,236	1,409,667
Community Youth & Family Development	87,379	-	87,379	92,959
Family Counseling Center	757,128	-	757,128	566,732
FFC/Adopt/Kids Net	637,803	-	637,803	654,477
Hamilton County Youth & Family Center	538,398	-	538,398	348,183
Boone County Transitional Living/Lighthouse	146,624	-	146,624	148,066
Iowa Aftercare Services Network	2,810,780	-	2,810,780	3,446,509
IHYC Street Outreach	220,814	-	220,814	1,223,296
IHYC Buchanan	473,309	-	473,309	-
IHYC Lighthouse	416,526	-	416,526	-
IHYC/Aftercare	257,554	-	257,554	309,410
IHYC/PSERP	44,609	-	44,609	72,224
Juvenile Community Treatment Services Network	100,746	-	100,746	176,718
Marshall Kids Club	11,740	-	11,740	46,209
Risky Business Conference	48,374	-	48,374	50,716
Rosedale Emergency Shelter House	696,107	-	696,107	646,204
Story County Healthy Futures	124,013	-	124,013	142,469
Story Kids Club	335,409	-	335,409	350,245
Story Mentoring & Grip	98,877	-	98,877	89,253
Substance Abuse Prevention	306,065	-	306,065	286,407
Tobacco Comprehensive Prevention	60,197	-	60,197	39,814
Story County Transitional Living/Lighthouse	115,850	-	115,850	137,163
Young Parents	282,899	-	282,899	295,934
Youth Employment	24,600	-	24,600	27,498
YSS Foundation, Inc.	125,019	-	125,019	195,783
YSS of Boone County	314,665	-	314,665	416,115
YSS of Eastern Story County	83,542	-	83,542	98,147
YSS of Marshall County	639,325	-	639,325	774,815
Family Life Center	-	-	-	4,346
Supporting Activities				
General and Administrative	1,503,077	-	1,503,077	1,327,855
Fund Raising	361,926	-	361,926	223,348
Total Expenses	14,007,948	-	14,007,948	14,499,156
Increase in Net Assets	(311,426)	480,989	169,563	(646,018)
Net Assets at Beginning of Year	4,186,604	4,793,686	8,980,290	9,626,308
Net Assets at End of Year	\$ 3,875,178	\$ 5,274,675	\$ 9,149,853	\$ 8,980,290

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	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	IHYC Street Outreach	IHYC Buchanan	IHYC Lighthouse	IHYC Aftercare
Compensation and Related Expenses																		
Compensation	\$ 102,020	\$ 82,183	\$ 9,010	\$ 86,051	\$ 32,210	\$ 16,708	\$ 298,269	\$ 825,703	\$ 52,852	\$ 393,246	\$ 303,726	\$ 240,087	\$ 63,130	\$ -	\$ 120,688	\$ 277,376	\$ 231,778	\$ 81,157
Employee benefits																		
Medical	9,007	-	1,146	3,285	552	2,346	21,806	75,424	5,001	45,027	33,864	26,436	9,508	-	12,271	20,440	27,980	10,316
Other	682	4,156	-	307	137	209	1,646	2,519	483	3,202	2,033	2,181	892	-	1,143	3,165	2,270	1,161
Payroll taxes	8,302	6,915	661	6,938	2,565	1,512	24,732	72,238	4,387	31,496	24,616	19,936	4,457	-	9,593	22,338	20,823	7,180
Total Compensation and Related Expenses	120,011	93,254	10,817	96,581	35,464	20,775	346,453	975,884	62,723	472,971	364,239	288,640	77,987	-	143,695	323,319	282,851	99,814
Conferences	3,284	9,009	-	295	152	74	1,618	7,070	1,491	2,781	2,019	1,024	758	-	129	5,338	307	1,459
Dues	62	-	-	35	26	15	188	9,376	55	314	366	295	111	634	-	800	-	1,426
Food	-	6,776	1,921	2,955	-	-	-	12,864	244	-	-	-	412	-	262	1,453	-	-
Insurance																		
Property	424	-	-	241	176	101	1,296	3,302	324	2,167	3,151	1,172	848	-	-	5,161	1,611	-
Other	342	202	-	210	152	87	1,440	3,608	327	1,873	2,296	1,012	796	8,943	-	3,761	1,720	-
Workmans comp	1,226	2,092	-	496	-	311	2,536	11,177	836	5,242	5,741	3,119	1,454	-	2,004	4,217	6,174	1,668
Equipment maintenance & repair	728	1,489	-	-	-	-	84	3,951	-	5,121	2,950	173	73	-	-	1,761	-	-
Miscellaneous	-	-	-	-	-	-	1,463	6,667	-	3,765	734	19	250	-	1,018	9,260	697	-
Occupancy																		
Rent	2,539	-	-	-	-	-	-	-	-	-	-	-	22,580	-	-	-	43,999	-
Utilities	409	-	-	-	-	73	3,340	17,646	652	5,098	6,487	3,058	11,061	-	10,136	9,307	26,980	-
Repairs & maintenance	-	-	-	-	-	152	13,818	54,427	1,421	20,783	29,027	8,631	7,068	-	3,075	8,601	10,552	-
Postage	194	513	-	111	80	47	595	2,582	173	1,018	1,174	1,034	319	1,331	1,073	3,590	248	-
Printing	769	2,933	-	28	20	735	299	1,904	534	410	628	1,947	343	1,057	314	8,261	2,435	56
Professional fees	1,071	73,111	6,978	661	404	267	3,931	100,833	10,707	158,256	6,654	3,034	3,134	2,795,100	25,089	13,468	665	359
Public relations	-	-	147	-	-	-	-	2,382	-	-	-	-	-	-	-	2,215	-	-
Specific assistance	-	28,947	1,050	636	-	-	-	4,185	-	-	111,738	171,080	7,374	-	994	30,274	3,304	126,656
Subscriptions	14	-	-	8	5	3	41	1,302	12	124	102	38	23	-	-	274	-	-
Activities & Supplies	10,110	26,662	1,600	5,023	129	592	1,079	20,978	3,027	695	677	458	845	-	1,633	3,397	5,229	-
Office supplies	1,954	2,096	256	427	303	1,485	5,552	12,228	1,217	5,237	5,385	2,962	1,807	3,715	250	10,681	976	5,012
Telephone	2,939	1,952	39	1,193	1,781	515	11,473	35,029	1,479	23,650	23,958	12,831	7,087	-	18,060	8,617	13,179	19,032
Travel & transportation	5,322	14,281	556	4,001	294	2,608	3,228	23,610	1,601	25,924	40,657	33,785	1,663	-	10,132	11,684	10,611	2,072
Uncollectible fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	18,117	39,231	556	21,699	29,820	4,086	631	-	2,950	7,870	4,988	-
Totals	\$ 151,398	\$ 263,317	\$ 23,364	\$ 112,901	\$ 38,986	\$ 27,840	\$ 416,551	\$ 1,350,236	\$ 87,379	\$ 757,128	\$ 637,803	\$ 538,398	\$ 146,624	\$ 2,810,780	\$ 220,814	\$ 473,309	\$ 416,526	\$ 257,554

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

IHYC PSERP	Juvenile Community Treatment Services Network	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	Total Program	General and Administrative	Fundraising	2013 Total Program and Support Service Expenses	2012 Totals
\$ 31,848	\$ -	\$ 9,908	\$ 8,606	\$ 498,803	\$ 74,082	\$ 239,689	\$ 74,724	\$ 199,338	\$ 47,066	\$ 33,641	\$ 153,397	\$ 15,853	\$ 51,650	\$ 173,888	\$ 50,502	\$ 297,476	\$ 5,176,665	\$ 808,062	\$ 193,250	\$ 6,177,977	\$ 6,135,526
3,165	-	-	-	34,944	7,002	16,708	1,104	15,066	1,807	6,261	11,283	2,309	3,968	28,162	5,410	34,709	476,307	48,877	-	525,184	540,813
329	-	-	-	1,844	1,342	1,604	329	1,656	169	596	4,035	277	2,429	1,892	298	3,210	46,196	34,326	28,986	109,508	226,095
2,759	-	573	625	44,537	6,592	21,184	6,612	16,484	3,974	2,568	12,318	1,391	2,351	16,085	5,793	25,059	437,594	69,129	19,325	526,048	516,721
38,101	-	10,481	9,231	580,128	89,018	279,185	82,769	232,544	53,016	43,066	181,033	19,830	60,398	220,027	62,003	360,454	6,136,762	960,394	241,561	7,338,717	7,419,155
200	-	-	-	2,058	2,275	1,592	487	3,850	236	684	3,330	167	222	7,615	461	2,630	62,615	7,721	-	70,336	66,988
-	-	-	2,954	1,337	68	351	49	4,597	20	70	300	14	595	900	172	1,106	26,236	4,439	-	30,675	22,342
-	-	297	10,310	4,018	-	10,595	-	-	-	-	-	-	-	25	-	33	52,165	-	-	52,165	74,943
-	-	-	-	2,362	855	1,436	334	996	133	463	1,042	146	-	1,549	362	2,922	32,574	5,321	-	37,895	38,087
-	-	-	-	2,041	-	1,100	290	919	115	396	1,047	81	-	1,335	312	2,526	36,931	4,050	-	40,981	43,067
491	-	-	-	6,621	2,562	2,778	748	2,417	294	1,018	2,312	468	-	3,863	804	6,481	79,150	10,357	-	89,507	96,938
-	-	-	-	356	600	-	-	2,247	-	-	-	-	-	-	-	2,229	21,762	16,707	-	38,469	112,403
-	-	-	723	1,422	-	693	-	135	-	1,388	-	-	25,071	240	-	835	54,380	8,430	-	62,810	51,534
-	-	-	11,493	-	1,066	-	-	-	-	39,901	3,721	-	-	7,921	-	92,624	225,844	2,040	-	227,884	231,798
-	-	-	-	11,841	448	468	439	1,923	448	9,273	1,322	291	-	2,179	2,000	19,885	144,764	18,697	-	163,461	156,653
-	-	-	-	26,658	2,535	1,126	1,126	6,684	1,192	6,421	3,575	1,129	-	2,781	7,078	10,340	228,200	49,994	-	278,194	240,878
-	-	-	1,602	1,083	291	658	202	457	61	212	524	43	-	1,434	461	1,958	23,068	2,145	-	25,213	31,348
-	-	-	2,005	480	654	528	1,588	1,714	893	53	167	11	2,581	3,838	1,077	2,833	41,095	853	34,344	76,292	125,387
-	100,746	-	6,264	9,118	1,572	3,168	3,669	15,314	328	1,690	51,211	256	1,544	25,107	2,416	9,063	3,435,188	240,477	50,814	3,726,479	4,120,211
-	-	-	-	-	-	-	436	1,322	-	-	100	-	16,108	380	-	120	23,210	-	6,730	29,940	47,861
5,581	-	-	1,215	481	10,537	1,377	-	-	-	178	3,423	-	9,715	-	-	49,438	568,183	-	-	568,183	445,056
-	-	-	-	77	15	41	15	32	4	21	34	8	-	50	12	429	2,684	492	-	3,176	3,287
-	-	883	-	5,465	91	12,357	601	3,284	1,105	521	274	426	2,073	66	679	6,768	116,727	4,782	-	121,509	153,196
236	-	-	2,577	9,506	902	2,953	592	2,012	235	985	2,380	164	-	3,818	734	8,350	96,987	8,244	28,477	133,708	117,566
-	-	79	-	11,793	5,814	8,824	2,059	6,288	446	6,564	8,788	1,020	3,921	14,137	4,192	26,635	283,374	31,495	-	314,869	283,756
-	-	-	-	6,612	3,202	4,671	1,965	9,527	1,671	1,156	13,792	546	-	11,715	453	28,070	275,409	18,445	-	293,854	337,166
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	904
-	-	-	-	12,650	1,508	1,508	1,508	9,803	-	1,790	4,524	-	2,791	5,685	326	3,596	175,637	107,994	-	283,631	278,632
\$ 44,609	\$ 100,746	\$ 11,740	\$ 48,374	\$ 696,107	\$ 124,013	\$ 335,409	\$ 98,877	\$ 306,065	\$ 60,197	\$ 115,850	\$ 282,899	\$ 24,600	\$ 125,019	\$ 314,665	\$ 83,542	\$ 639,325	\$ 12,142,945	\$ 1,503,077	\$ 361,926	\$ 14,007,948	\$ 14,499,156

See accompanying notes.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 169,563	\$ (646,018)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	283,631	278,632
Unrealized (gain) loss on investments	142,186	20,291
Restricted contributions	(449,070)	-
(Increase) Decrease in operating assets		
Grants receivable	(89,134)	(201,282)
Program service fees receivable	(846,201)	(125,720)
Miscellaneous receivables	8,910	(11,940)
Other assets	-	21,822
Prepaid expenses	494	3,514
Unconditional promises to give	(264,863)	(33,767)
Increase (Decrease) in operating liabilities		
Accounts payable	7,003	17,613
Payable - Magellan	166,924	-
Grant advances	(60,098)	84,617
Deferred revenue	(190,803)	(403,869)
Client accounts	1,629	(3,782)
Accrued employee benefit plan	(1,356)	(898)
Accrued vacation and holiday pay	(38,452)	26,368
Accrued estimated state unemployment liability	374	53,943
Annuities payable	(41,000)	-
Net Cash (Used) by Operating Activities	(1,200,263)	(920,476)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments, net	882,376	1,091,888
Payments for property and equipment	(198,433)	(167,076)
(Decrease) in cash surrender value of life insurance	(23,576)	(1,244)
Net Cash Provided by Investing Activities	660,367	923,568
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(1,982)	(2,981)
Proceeds of note payable	150,000	-
Restricted contributions collections	449,070	-
Net Cash Provided (Used) by Financing Activities	597,088	(2,981)
Net Increase in Cash and Cash Equivalents	57,192	111
Cash and Cash Equivalents at Beginning of Year	40,766	40,655
Cash and Cash Equivalents at End of Year	\$ 97,958	\$ 40,766

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, 2012, 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 20, 2013, the date the financial statements were available to be issued.

2. Investments. Short-term investments of \$517,562 at June 30, 2013, 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>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market Funds	\$ 374,282	\$ 374,282	\$ -
Equity Mutual Funds	35,713	42,579	6,866
Bond Mutual Funds	<u>102,727</u>	<u>100,701</u>	<u>(2,026)</u>
	<u>\$ 512,722</u>	<u>\$ 517,562</u>	<u>\$ 4,840</u>

Investment return is summarized as follows:

Investment income	\$ 2,704
Realized/Unrealized gain	<u>19,445</u>
Total investment return	<u>\$ 22,149</u>

Expenses relating to investment revenues including custodial fees amounted to \$6,529 and have been netted against investment income in the accompanying Statement of Activities.

Investments restricted for Youth and Shelter Services Foundation, Inc., were comprised of the following at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market Funds	\$ 236,189	\$ 236,189	\$ -
Equity Mutual Funds	2,115,820	2,584,158	468,338
Bond Mutual Funds	<u>979,739</u>	<u>1,001,398</u>	<u>21,659</u>
	<u>\$ 3,331,748</u>	<u>\$ 3,821,745</u>	<u>\$ 489,997</u>

Investment return restricted for Youth and Shelter Services Foundation, Inc., is summarized as follows:

Investment income	\$ 349,611
Realized/Unrealized losses	<u>(92,990)</u>
Total investment return	<u>\$ 256,621</u>

Expenses relating to investment revenues including custodial fees amounted to \$35,013 and have been netted against investment income in the accompanying Statement of Activities.

YOUTH AND SHELTER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

3. Fair Value Measurements. Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical <u>Assets (Level 1)</u>
Investments	<u>\$4,339,307</u>	<u>\$4,339,307</u>

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

4. Promises To Give. Youth and Shelter Services, Inc. and Youth and Shelter Services Foundation, Inc. have unconditional promises to give at June 30, 2013, as follows:

Capital campaign and endowment	\$ <u>1,106,952</u>
Receivable in less than one year	\$ 243,590
Receivable in one to five years	174,801
Receivable in more than five years	<u>688,561</u>
Total unconditional promises to give	1,106,952
Less discounts to net present value	(324,005)
Less allowance for uncollectible promises receivable	<u>(7,885)</u>
Net unconditional promises to give at June 30, 2013	\$ <u>775,062</u>

Promises to give receivable in more than one year are discounted at 3.52%

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

	<u>2013</u>	<u>2012</u>
Land	\$ 847,942	\$ 847,942
Buildings and improvements	5,503,366	5,345,828
Furniture and equipment	<u>1,319,069</u>	<u>1,278,173</u>
	7,670,377	7,471,943
Accumulated Depreciation	<u>(4,189,921)</u>	<u>(3,906,289)</u>
	<u>\$ 3,480,456</u>	<u>\$ 3,565,654</u>

Depreciation expense for the years ended June 30, 2013, and 2012, was \$283,631 and \$278,632 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, 2013 are:

<u>Years Ending June 30</u>	<u>Amount</u>
2014	\$ 133,340
2015	<u>57,600</u>
	<u>\$ 190,940</u>

The Organization paid rent of \$227,884 and \$231,798 for the years ended June 30, 2013 and 2012, respectively.

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

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 \$962,798 and \$962,424 at June 30, 2013, and 2012, respectively.
8. 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.
9. Line of Credit. The Organization has a revolving line of credit totaling \$1,000,000, of which \$850,000 was unused at June 30, 2013. Advances on the credit line are payable on demand and carry an interest rate of 4%. All US Bank accounts of the Organization are pledged as collateral.

10. Restrictions on Net Assets. Temporarily restricted net assets were available for the following purposes at June 30:

	2013	2012
Specified by donors	\$ 327,459	\$ -
Interest in net assets of foundation	<u>4,947,216</u>	<u>4,793,686</u>
	<u>\$ 5,274,675</u>	<u>\$ 4,793,686</u>

11. Cash Flow Information. Interest paid was \$444 and \$0 for the years ended June 30, 2013 and 2012, 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 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

14. Commitments and Contingencies. 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 had a contract under review by the Iowa Department of Human Services which involved Medicaid funding; during the review the Medicaid funding was suspended. Because of the cash flow problems this created and in order to avoid a protracted litigation process and the associated costs involved with such a process, the Organization entered into an agreement whereby they will repay \$166,924 and resubmit cost reports for the remaining years under review.

The Organization has a capital campaign underway to purchase property. On August 14, 2013 the Organization obtained a loan for \$800,000 to purchase the property.

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

	Youth and Shelter Services, Inc.	Youth and Shelter Services Foundation	Total
ASSETS			
Cash	\$ 76,590	\$ 21,368	\$ 97,958
Investments	517,562	3,821,745	4,339,307
Receivables			
Grants	837,121	-	837,121
Program service fees, less allowance for doubtful accounts of \$20,000 in 2013	1,333,258	-	1,333,258
Miscellaneous	8,219	-	8,219
Prepaid expenses	3,845	-	3,845
Cash surrender value of life insurance	53,612	53,315	106,927
Unconditional promises to give	327,459	447,603	775,062
Land	847,942	-	847,942
Property and equipment, less accumulated depreciation	2,632,514	-	2,632,514
Total Assets	\$ 6,638,122	\$ 4,344,031	\$ 10,982,153
INTERFUND BORROWINGS			
Loan from Foundation	(500,000)	500,000	-
Due from general fund	(162,424)	-	(162,424)
Due to Foundation	-	107,185	107,185
Due to specified fund	55,239	-	55,239
Total Interfund Borrowings	(607,185)	607,185	-
Total Assets and Interfund Borrowings	6,030,937	4,951,216	10,982,153
LIABILITIES			
Accounts payable	\$ 24,616	\$ -	\$ 24,616
Payable - Magellan	166,924	-	166,924
Grant advances	76,141	-	76,141
Deferred revenue	108,897	-	108,897
Client accounts	13,045	-	13,045
Accrued expenses			
Employee benefit plan	13,432	-	13,432
Vacation and holiday pay	312,447	-	312,447
Estimated state unemployment liability	962,798	-	962,798
Note payable	150,000	-	150,000
Annuities Payable	-	4,000	4,000
Total Liabilities	1,828,300	4,000	1,832,300
NET ASSETS			
Unrestricted	3,875,178	-	3,875,178
Temporarily restricted	327,459	4,947,216	5,274,675
Total Net Assets	4,202,637	4,947,216	9,149,853
Total Liabilities and Net Assets	\$ 6,030,937	\$ 4,951,216	\$ 10,982,153

YOUTH AND SHELTER SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Youth and Shelter Services, Inc.			Youth and Shelter Services Foundation	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT					
Contributions	\$ 1,249,570	\$ 327,459	\$ 1,577,029	\$ 121,611	\$ 1,698,640
Grants	350,933	-	350,933	-	350,933
United Way	438,909	-	438,909	-	438,909
Fees and grants from Governmental Agencies	7,601,631	-	7,601,631	-	7,601,631
Program Service Fees	3,788,858	-	3,788,858	-	3,788,858
Investment return	22,149	-	22,149	256,621	278,770
Miscellaneous revenue	18,860	-	18,860	910	19,770
Net assets released from restrictions					
Restrictions satisfied by payments	225,612	-	225,612	(225,612)	-
Total Revenues and Other Support	13,696,522	327,459	14,023,981	153,530	14,177,511
EXPENSES					
Program Services					
Adolescent Pregnancy Prevention	151,398	-	151,398	-	151,398
AMP	263,317	-	263,317	-	263,317
Positive Solutions for Parents	23,364	-	23,364	-	23,364
Boone Kids Club	112,901	-	112,901	-	112,901
Boone Mentoring & Grip	38,986	-	38,986	-	38,986
Boone Substance Abuse Prevention	27,840	-	27,840	-	27,840
Chemical Dependency Services - Outpatient	416,551	-	416,551	-	416,551
Chemical Dependency Services - Residential	1,350,236	-	1,350,236	-	1,350,236
Community Youth & Family Development	87,379	-	87,379	-	87,379
Family Counseling Center	757,128	-	757,128	-	757,128
FFC/Adopt/Kids Net	637,803	-	637,803	-	637,803
Hamilton County Youth & Family Center	538,398	-	538,398	-	538,398
Boone County Transitional Living/Lighthouse	146,624	-	146,624	-	146,624
Iowa Aftercare Services Network	2,810,780	-	2,810,780	-	2,810,780
IHYC Street Outreach	220,814	-	220,814	-	220,814
IHYC Buchanan	473,309	-	473,309	-	473,309
IHYC Lighthouse	416,526	-	416,526	-	416,526
IHYC/Aftercare	257,554	-	257,554	-	257,554
IHYC/PSERP	44,609	-	44,609	-	44,609
Juvenile Community Treatment Services Network	100,746	-	100,746	-	100,746
Marshall Kids Club	11,740	-	11,740	-	11,740
Risky Business Conference	48,374	-	48,374	-	48,374
Rosedale Emergency Shelter House	696,107	-	696,107	-	696,107
Story County Healthy Futures	124,013	-	124,013	-	124,013
Story Kids Club	335,409	-	335,409	-	335,409
Story Mentoring & Grip	98,877	-	98,877	-	98,877
Substance Abuse Prevention	306,065	-	306,065	-	306,065
Tobacco Comprehensive Prevention	60,197	-	60,197	-	60,197
Story County Transitional Living/Lighthouse	115,850	-	115,850	-	115,850
Young Parents	282,899	-	282,899	-	282,899
Youth Employment	24,600	-	24,600	-	24,600
YSS Foundation, Inc.	125,019	-	125,019	-	125,019
YSS of Boone County	314,665	-	314,665	-	314,665
YSS of Eastern Story County	83,542	-	83,542	-	83,542
YSS of Marshall County	639,325	-	639,325	-	639,325
Supporting Activities					
General and Administrative	1,503,077	-	1,503,077	-	1,503,077
Fund Raising	361,926	-	361,926	-	361,926
Total Expenses	14,007,948	-	14,007,948	-	14,007,948
Increase (Decrease) in Net Assets	(311,426)	327,459	16,033	153,530	169,563
Net Assets at Beginning of Year	4,186,604	-	4,186,604	4,793,686	8,980,290
Net Assets at End of Year	\$ 3,875,178	\$ 327,459	\$ 4,202,637	\$ 4,947,216	\$ 9,149,853

YOUTH AND SHELTER SERVICES, INC.
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
YEAR ENDED JUNE 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	2013	2012
Cities/Counties	\$ 369,413	\$ 507,439
Story County - Juvenile Court	319,532	312,767
Department of Human Services - Fees	369,061	390,693
Shelter Care Reimbursements - Counties	144,288	144,055
Department of Public Health - Prevention	95,966	89,258
Department of Public Health - Counties	25,000	63,890
Department of Public Health - Positive Solutions	27,183	-
Department of Housing & Urban Development	652,834	609,422
Department of Education	52,661	10,000
Department of Health & Human Services - Runaway Center	105,602	128,859
Department of Health & Human Services - Runaway Outreach	6,877	18,773
Department of Health & Human Services - Transitional Living	117,834	202,335
Department of Human Rights - Family Meetings	49,775	46,225
Department of Human Rights - Family Development	296,285	295,964
Department of Health & Human Services - Drug Free Communities	165,950	103,486
Department of Health & Human Services - Maternity Group Home	74,261	-
Criminal and Juvenile Justice - Rural Homeless	91,380	86,382
Department of Human Services - Adolescent Pregnancy	116,450	122,675
Department of Human Services - AMP	246,660	175,590
City of Des Moines - CDBG	59,210	77,098
Department of Human Services - Pregnancy Prevention	12,316	18,424
Department of Public Health - Families in Focus	64,180	-
Department of Public Health - Tobacco Use Prevention	46,562	45,539
Department of Human Services - Iowa Aftercare	3,834,926	4,329,457
Department of Public Health - Abstinence Education	31,766	-
Department of Public Health - Tobacco Community Partnership	22,097	-
Department of Justice - Healthy Futures	87,721	97,975
Iowa Department of Public Health - SPF/SIG	26,204	29,940
Boone Comp Prevention	33,156	33,948
ESG	36,123	35,250
Department of Human Services - CWES Alternative	20,358	13,572
Totals	\$ 7,601,631	\$ 7,989,016

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Iowa Department of Public Health			
	Comprehensive Substance Abuse Prevention	Youth Development Project	Tobacco Use Prevention & Control	Comprehensive Substance Abuse Prevention
Revenues				
Iowa Department of Public Health	\$ 33,156	\$ 24,148	\$ 68,659	\$ 95,966
County/City Government	-	-	2,400	-
In-kind	2,854	-	13,840	2,854
Donations	-	-	1,075	-
Total Revenues	36,010	24,148	85,974	98,820
Expenses				
Administration	4,430	3,150	7,499	11,058
Salaries/benefits	23,939	13,973	66,011	73,470
Travel	2,141	3,429	1,670	1,658
Contracted services	-	-	275	-
Occupancy	-	1,860	1,328	-
Telephone	442	563	854	-
Other expenses	5,058	1,173	8,337	12,634
Total Expenses	36,010	24,148	85,974	98,820
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, 2013

	Department of Human Rights
	FaDDS
Revenues	
Department of Human Rights	\$ 296,285
County Government	1,000
City Government	11,270
Other revenue	5,936
United Way	9,000
Donations	7,294
<hr/>	
Total Revenues	330,785
Expenses	
Administration	58,514
Salaries	148,159
Personnel benefits	28,222
Travel	13,562
Consultants	48,765
Postage	984
Publications/dues	695
Audit	903
Third party payments	4,500
Insurance	1,053
Occupancy	8,154
Supplies/printing	3,663
Telephone	7,766
Other expenses	5,845
<hr/>	
Total Expenses	330,785
<hr/>	
Total revenue over (under) expenses	\$ -
<hr/>	

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF SELECTED CONTRACT REVENUES AND EXPENSES - CONTRACT BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Iowa Aftercare Services	Iowa Aftercare Services PAL	Total
Revenues			
Department of Human Services	\$ 693,028	\$ 3,141,898	\$ 3,834,926
Total Revenues	693,028	3,141,898	3,834,926
Expenses			
Administration	57,055	127,478	184,533
Contracted services			
Youth and Shelter Services, Inc.	219,638	640,228	859,866
American Home Finding	41,043	86,137	127,180
Boys and Girls Home	11,219	44,893	56,112
Children's Square	55,075	765,687	820,762
Francis Lauer	4,708	72,362	77,070
Foundation 2	23,620	91,371	114,991
Four Oaks	102,214	709,300	811,514
Youth Policy Institute	115,541	112,948	228,489
Children & Families of Iowa	6,547	74,501	81,048
Young House	37,649	36,167	73,816
Youth Homes of Mid America	368	135,285	135,653
Family Resources, Inc.	18,351	245,541	263,892
Total Expenses	693,028	3,141,898	3,834,926
Total revenue over (under) expenses	\$ -	\$ -	\$ -

YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 21,944
Transitional Living	14.235	IA19B700011104	107,789
Transitional Living	14.235	IA19B70011003	191,096
Transitional Living	14.235	IA26B702004	40,426
Transitional Living	14.235	IA001967D0112	21,405
Subtotal Direct Programs			382,660
Pass-Through Program From:			
City of Des Moines	14.218	CDBG2008024	57,851
City of Des Moines	14.218		81,752
City of Des Moines	14.218		163,785
City of Des Moines	14.231	HESG2010011	5,000
City of Des Moines	14.231	HESG2010011	5,000
Total U.S. Department of Housing and Urban Development			696,048
U.S. Department of Health and Human Services:			
Drug Free Communities	93.276	5H795P014928-10	103,801
Drug Free Communities	93.276	90CY247476-03	91,627
Runaway/Homeless Youth Grant	93.623	90CY247476-01	14,824
Maternity Group Home	93.550	90CX6927-01	74,261
Transitional Living	93.550	07CX0508-04	22,744
Street Outreach	93.550	07CX0508-05	69,128
Street Outreach	93.550	07CX0508-05	117,834
Street Outreach	93.557	07Y003604	6,227
Pregnancy Prevention	93.558	DCFS09-081	116,450
Subtotal Direct Programs			616,896

**YOUTH AND SHELTER SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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	5883CP02	26,849
Comprehensive Substance Abuse Prevention	93.959	5889CP01	95,966
Building Strategic Prevention	93.243	5881IP09	24,348
FaDSS	93.558	FaDSS-23	159,994
Abstinence Education Program	93.235	5883CH01A	31,766
Family in Focus	93.243		64,180
Pass-Through Program From: Iowa Department of Human Services			403,103
Total U.S. Department of Health and Human Services			1,019,999
Total Expenditures of Federal Awards			\$ 1,716,047

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.

HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
724 Story Street, Suite 601
Boone, IA 50036-2871

Kevin N. Houston, CPA
Eric G. Seeman, CPA

Telephone: (515) 432-1176
Fax: (515) 432-1186

**INDEPENDENT AUDITOR'S 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, in accordance with the 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 consolidated financial statements of Youth and Shelter Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of the year ended June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2013. 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 of the financial statements, we considered Youth and Shelter Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youth and Shelter Services, Inc.'s financial statements are free from 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*.

Youth and Shelter Services, Inc.'s Response to Findings

Youth and Shelter Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Youth and Shelter Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Houston & Seeman, P.C.

September 20, 2013

HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
724 Story Street, Suite 601
Boone, IA 50036-2871

Kevin N. Houston, CPA
Eric G. Seeman, CPA

Telephone: (515) 432-1176
Fax: (515) 432-1186

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Youth and Shelter Services, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Youth and Shelter Services, Inc.'s major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Youth and Shelter Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Youth and Shelter Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Youth and Shelter Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



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Report on Internal Control Over Compliance

Management of Youth and Shelter Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements listed above. In planning and performing our audit of compliance, we considered Youth and Shelter Services, Inc.'s internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Youth and Shelter Services, Inc.'s internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Houston & Seeman, P.C.

September 20, 2013

YOUTH AND SHELTER SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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) Material weaknesses in internal control over financial reporting was reported during the audit of the financial statements.
- (c) No instances of noncompliance material to the financial statements were reported during the audit.
- (d) No control deficiencies over major programs were reported during the audit of the financial statements.
- (e) The auditor's report on compliance for the major federal award programs for Youth and Shelter Services, Inc. expresses an unqualified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The program tested as a major program included:
CFDA Number 14.235 – Transitional Living
- (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) Material Weaknesses:

2013-1 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. At the time of the original review the Organization did 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, 2013

Part II: Findings Related to Financial Statements (continued)

(b) Material Weaknesses:

2013-1 Reports Prepared for Outside Agency (continued)

Recommendation: As noted in the prior year audit we recommended the Organization 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: As soon as the issue was brought to our attention we took steps to correct it. We hired an outside accounting firm to oversee the preparation of the reports. We have also implemented procedures to ensure reports and their supporting documentation are presented in a clear and concise manner and all reports are adequately reviewed.

2013-2 Billings

Condition: The Organization had increasing accounts receivables from certain program services the Organization performs. This was a result of billings not being submitted and resubmitted in a timely manner.

Criteria: Accounts receivable aging reports were not being generated in a timely manner so management was not fully aware of the severity of the accounts receivable and billings issues.

Cause: Because of the volume of claims, once the staff got behind in processing the claims it became increasingly difficult for them to catch up. In addition since the proper aging reports were not being generated, management was not immediately aware of the problem.

Effect: Collections and rebilling slowed because of the backlog of claims, leading to the possibility of claims being denied because they were not filed in a timely manner.

Recommendation: The Organization should ensure they have an adequate number of staff to process the billings. In addition management should implement procedures to ensure the proper reports are generated in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: We have taken steps to correct the issue. We have hired additional staff to complete the billing functions. We have also implemented procedures to ensure the appropriate reports are generated in a timely manner. As a result of these changes the billings are current and the rebilling's are completed.

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).

YOUTH AND SHELTER SERVICES, INC.
Summary of Prior Year Federal Award Findings and Questioned Costs
Year Ended June 30, 2013

No prior year findings existed.