

THE SHELTER, INC.
Lawrence, Kansas

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended June 30, 2012

and

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

THE SHELTER, INC.
Lawrence, Kansas

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Board of Directors
The Shelter, Inc.
Lawrence, KS 66044

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of The Shelter, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of revenue, support, expenses and change in net assets – modified cash basis and functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

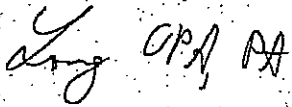
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

As described in Note 1, the Organization prepares its financial statements on the cash basis of accounting, is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, except that the statements include a provision for depreciation and prepaid insurance. These provisions are a departure from the cash basis method of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Shelter, Inc., as of June 30, 2012, and the changes in its revenues, support, expenses and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Board of Directors
The Shelter, Inc.

In accordance with Government Auditing Standards, we have also issued a report dated February 28, 2013 on our consideration of The Shelter, 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.



Long CPA, PA
A Professional Association
Certified Public Accountant

February 28, 2013

THE SHELTER, INC.

Lawrence, Kansas

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS

As of June 30, 2012

Assets

Current assets

Cash (Note 1)	\$	845,801	
Investments (Note 3)		508,555	
Prepaid insurance		48,559	
Total current assets			\$ 1,402,915

Fixed assets

Property and equipment (Note 2)		440,978	
Accumulated depreciation		(227,660)	
Total fixed assets			213,318

Other assets

Deposits			356
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Total assets			<u>\$ 1,616,589</u>
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Liabilities and Net Assets

Current liabilities

Payroll taxes payable	\$	480	
Total fixed assets			\$ 480

Net Assets

Unrestricted		1,599,547	
Accumulated other comprehensive income			
Unrealized gain on investments		16,562	
Total net assets			<u>1,616,109</u>

Total liabilities and net assets			<u>\$ 1,616,589</u>
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The accompanying notes to financial statements
are an integral part of this statement.

THE SHELTER, INC.
Lawrence, Kansas

**STATEMENT OF REVENUES, SUPPORT, EXPENSES AND CHANGE IN NET ASSETS -
MODIFIED CASH BASIS**

For the year ended June 30, 2012

<u>Unrestricted Net Assets</u>		
Revenues		
Emergency Shelter care	\$ 340,080	
School lunch program	21,915	
Satellite foster care	106,499	
Diversion foster care	224,150	
Pre-filing diversion fees	16,720	
HLC Project	20,601	
JJA intake	178,344	
YRC II Services	692,332	
Specialized case management	53,470	
Return on investment	(19,952)	
Management/general income	368,580	
TSAS, Inc.		
Interest income	40	
		<u>\$ 2,002,779</u>
Support		
City of Lawrence	32,000	
Douglas County	83,000	
Placement grant/ETC grant	16,084	
Rice Foundation grant	-	
Unrestricted donations	33,755	
Fund raising	68,074	
		<u>232,913</u>
Total revenue and support		<u>2,235,692</u>
Expenses		
Residential and add on service	1,115,472	
Intake	204,041	
Placement	-	
Pre-filing diversion	107,261	
Specialized case management	56,209	
Family services	379,556	
Management/general	373,810	
Other general	58,705	
TSAS, Inc.	1,265	
		<u>2,296,319</u>
Total expenses		<u>2,296,319</u>
Net Increase (Decrease) in Net Assets		(60,627)
Net assets, beginning of year		<u>1,676,735</u>
Net assets, end of year		<u>\$ 1,616,108</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE SHELTER, INC.
Lawrence, Kansas

**STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS**
For the year ended June 30, 2012

	<u>Vocational</u>		<u>Placement</u>	<u>Pre-filing Diversion</u>
	<u>Residential</u>	<u>Intake</u>		
Salaries and Payroll Taxes	\$ 464,802	\$ 141,503	\$ -	\$ 81,650
Fringe benefits	72,539	13,699		13,867
Insurance - building and grounds	2,417			
Insurance - vehicles	3,570			
Insurance - general	16,179			3,262
Contract services: professional	3,488	4,159		
Group therapy				
Staff development	448	487		55
Legal and accounting				
Allowances	5,475			
Supplies: personal	332			
Supplies: school	693			
Supplies: food	75,500			
Supplies: office		3,192		
Supplies: medical	860			
Supplies: household	12,766			
Supplies: training				
Postage	9			
Telephone	5,464			
Utilities	15,160			
Repairs and maintenance	27,683			
Repair: vehicles	5,942			
Transportation: gas and oil	14,487			
Vehicle lease	26,697			
Tax and licenses	424			
Dues and subscriptions	269			
Business travel	4,178	1,381		597
Advertisement	4,411			452
Equipment expenses: non-capital	8,368	1,425		225
Rent	1,200	2,880		
Communication		2,429		
Recreation	10,070			
Flex payments				
Fund raising	20			
Clothing	880			
Placement				
Services to families		28,629		

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS (Continued)
For the year ended June 30, 2012

	<u>Residential</u>	<u>Intake</u>	<u>Placement</u>	<u>Pre-filing Diversion</u>
Accreditation				
Discretionary fund gifts				
Agency planning				
Achievement Place expenses				
Other miscellaneous	3,252	773		13
Miscellaneous: non-allowable				
Management/general expense	300,575	3,484		7,140
Records check	1,992			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	1,090,150	204,041	-	107,261
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	25,322			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,115,472</u>	<u>\$ 204,041</u>	<u>\$ -</u>	<u>\$ 107,261</u>

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS

For the year ended June 30, 2012

	Specialized Case Mgmt	Family Services	Management/ General	Other General
Salaries and Payroll Taxes	\$ 45,161	\$ 129,077	\$ 232,434	
Fringe benefits	5,865	11,084	16,160	
Insurance - building and grounds				
Insurance - vehicles				
Insurance - general	1,230	8,959	11,821	
Contract services: professional			27,732	
Group therapy				
Staff development	189	1,485	61	
Legal and accounting			10,730	
Allowances				
Supplies: personal				
Supplies: school				
Supplies: food				
Supplies: office		555	13,883	
Supplies: medical				
Supplies: household				
Supplies: training		766		
Postage		32	2,203	
Telephone			5,773	
Utilities			8,920	
Repairs and maintenance			143	
Repair: vehicles				
Transportation: gas and oil				
Vehicle lease				
Tax and licenses		75		
Dues and subscriptions			6,291	
Business travel	264	8,422	1,873	
Advertisement				
Equipment expenses: non-capital		3,528	8,375	
Rent			25,800	
Communication				
Recreation				
Flex payments				
Fund raising		36		16,434
Clothing				
Placement		203,987		
Services to families				

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

**STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS (Continued)**
For the year ended June 30, 2012

	<u>Specialized Case Mgmt</u>	<u>Family Services</u>	<u>Management/ General</u>	<u>Other General</u>
Accreditation			1,169	8,700
Discretionary fund gifts				1,134
Agency planning				
Achievement Place expenses				10,193
Other miscellaneous		988	422	16
Miscellaneous: non-allowable				7,264
Management/general expense	3,500	10,031		14,964
Records check		531	20	
Total Expenses Before Depreciation	<u>56,209</u>	<u>379,556</u>	<u>373,810</u>	<u>58,705</u>
Depreciation				
Total Expenses	<u>\$ 56,209</u>	<u>\$ 379,556</u>	<u>\$ 373,810</u>	<u>\$ 58,705</u>

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

**STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS**
For the year ended June 30, 2012

	TSAS	Total
Salaries and Payroll Taxes	\$ -	\$ 1,094,627
Fringe benefits		133,214
Insurance - building and grounds		2,417
Insurance - vehicles		3,570
Insurance - general		41,451
Contract services: professional		35,379
Group therapy		-
Staff development		2,725
Legal and accounting	1,150	11,880
Allowances		5,475
Supplies: personal		332
Supplies: school		693
Supplies: food		75,500
Supplies: office		17,630
Supplies: medical		860
Supplies: household		12,766
Supplies: training		766
Postage		2,244
Telephone		11,237
Utilities		24,080
Repairs and maintenance		27,826
Repair: vehicles		5,942
Transportation: gas and oil		14,487
Vehicle lease		26,697
Tax and licenses	115	614
Dues and subscriptions		6,560
Business travel		16,715
Advertisement		4,863
Equipment expenses: non-capital		21,921
Rent		29,880
Communication		2,429
Recreation		10,070
Flex payments		-
Fund raising		16,490
Clothing		880
Placement		203,987
Services to families		28,629

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS (Continued)
For the year ended June 30, 2012

	<u>TSAS</u>	<u>Total</u>
Accreditation		9,869
Discretionary fund gifts		1,134
Agency planning		-
Achievement Place expenses		10,193
Other miscellaneous		5,464
Miscellaneous: non-allowable		7,264
Management/general expense		339,694
Records check		2,543
		<hr/>
Total Expenses Before Depreciation	1,265	2,270,997
		<hr/>
Depreciation		25,322
		<hr/>
Total Expenses	<u>\$ 1,265</u>	<u>\$ 2,296,319</u>

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS
For the year ended June 30, 2012

Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (60,627)
Adjustments to reconcile change in net assets to net cash flows	
Depreciation	25,322
Unrealized loss (gain)	34,685
Change in assets and liabilities	
Prepaid insurance	(4,835)
Payroll liabilities	(1,634)
Net Cash Provided (Used) by Operating Activities	<u>(7,089)</u>
Net Cash Flows From Investing Activities	
Purchase of fixed assets	-
Reinvestment investment income, net of investment fees	(12,375)
Net Cash Provided (Used) by Investing Activities	<u>(12,375)</u>
Net Increase (Decrease) in Cash	(19,464)
Total Cash and Cash Equivalents as of Beginning of Year	<u>865,265</u>
Total Cash and Cash Equivalents as of End of Year	<u>\$ 845,801</u>
<u>Supplemental Information</u>	
Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- Summary of Significant Accounting Policies

Description of Activities

The Shelter, Inc. is a private, non-profit organization located in Lawrence, Kansas. The Shelter, Inc. provides emergency residential care for adolescents as a result of law enforcement and/or court action.

The Shelter, Inc. provides a staff of professionals to assist at the Law Enforcement Center in Lawrence, Kansas in any juvenile case. The intake staff provides crisis intervention to families as well as further referral services. The organization also offers services to at risk youth identified by staff or other professionals and a pre-filing diversion program for first time and low-level offenders. Family foster care services are also provided to give children a family life experience in a licensed home for a few days to a few months.

The Shelter Adoption Services, Inc. is a private, non-profit organization located in Lawrence, Kansas. The organization provides adoption related services consistent with procedures established by the State of Kansas Department of Social and Rehabilitation Services in the Lawrence and Douglas County area. The financial information is included here due to both organizations having identical board members.

The Shelter Adoption Services, Inc., a related organization, offers adoption services for children of all ages whose parental rights have been terminated. These services include case management and follow-up services.

Financial Statements

These financial statements have been prepared on the modified cash basis of accounting. This basis is an other comprehensive basis of accounting and differs from accounting principles general accepted in the United States of America in that revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of certain assets, liabilities and disclosures. Accordingly, actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year the adjustment is determined.

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At year end, the bank carrying amounts of the organization's accounts were \$ 1,354,356 which consisted of \$ 407,069 in open accounts, \$ 373,728 in money market accounts, \$ 65,004 in certificates of deposit and \$ 508,555 in investments accounts.

The organization's deposits are held in Lawrence, Kansas banks. The deposits were under secured by \$ 524,818 as of June 30, 2012. The board of directors has determined to accept the risk involved for under secured deposits.

Property and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful life of the respective asset. Depreciation recorded for the year ended June 30, 2012 was \$25,322.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Income Taxes Status

The Shelter, Inc. and The Shelter Adoption Services, Inc. are exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore have made no provision for federal income taxes in the accompanying financial statements. In addition, The Shelter, Inc. and The Shelter Adoption Services, Inc. have been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. The organizations have not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

Financial Statement Presentation

The Shelter, Inc. and The Shelter Adoption Services, Inc have elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, The Shelter, Inc. and The Shelter Adoption Services, Inc are 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. In addition, The Shelter, Inc. and The Shelter Adoption Services, Inc have discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (continued)

Under accounting principles generally accepted in the United States of America, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

NOTE 2 – Property and Equipment

Property and equipment are summarized by major classification at June 30, 2011 as follows:

Buildings	\$ 242,253
Improvements	92,682
Furniture and equipment	<u>106,043</u>
	<u>\$ 440,978</u>

NOTE 3 – Investments

The organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets – modified cash basis. Unrealized gains and losses are also reported in the statement of assets, liabilities, and net assets – modified cash basis.

The Organization's investments consist of the following at June 30, 2012:

	<u>Cost Basis</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Mutual Funds	<u>\$ 491,993</u>	<u>\$ 508,555</u>	<u>\$ 16,562</u>

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Investments (continued)

Investment return is summarized as follows:

Interest/dividends	\$ 14,733
Unrealized gain (loss)	<u>(34,685)</u>
	<u>\$ (19,952)</u>

NOTE 4 – Risk Management

The organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compensated Absences

No provision is made in these statements for accrued compensated absences.

Compensated absences include the following:

	<u>Vacation</u>	<u>Sick</u>
Professional staff	10 – 20 days/year. Maximum carryover 15 days.	One sick day per month. Maximum carryover 30 days.
Hourly Supervisory and Office Staff	5 – 10 days/year. Maximum carryover 10 days.	None

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Leases

The Organization leases two vehicles from Foust and Ford Credit for \$1,729.87 per month. The leases are operating leases. A total of \$20,897 was paid for the leases during the year ended June 30, 2012.

Future minimum payments are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 20,758
	<u>\$ 20,758</u>

NOTE 7 – Subsequent Events

Subsequent events for management's review have been evaluated through February 28, 2012. The date in the prior sentence is the date the financial statements were available to be issued.

Long CPA, PA

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Shareholder

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Board of Directors
The Shelter, Inc.
Lawrence, Kansas 66044

INDEPENDENT AUDITORS' 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

We have audited the financial statements of The Shelter, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012 and have issued our report thereon dated February 28, 2013. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Shelter Inc. 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 The Shelter Inc 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 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 organization's financial statements will not be prevented, or detected and corrected on a timely basis.

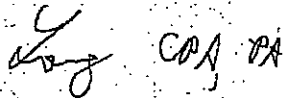
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
The Shelter, Inc.
Lawrence, Kansas 66044

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Shelter, Inc.'s financial statements are free of material misstatement, we performed test 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 management, the audit committee, 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.



Long CPA, PA
A Professional Association
Certified Public Accountant

February 28, 2013

Long CPA, PA

James M. Long, CPA
Shareholder

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February 28, 2013

To the Board of Directors
The Shelter, Inc.

We have audited the financial statements of The Shelter, Inc for the year ended June 30, 2012, and have issued our report thereon dated February 28, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 24, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of The Shelter, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The Shelter's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Shelter, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about

future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on estimated useful life of an asset. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of cash and cash equivalents in Note 1 and the Investments in Note 3 are the most sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

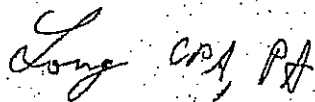
During the course of our examination of the financial statements of The Shelter, Inc. for the year ended June 30, 2012, we made observations, which in our professional judgment are neither a significant deficiency or a material weakness, we feel will be of benefit to you in your continuing management or the Organization's affairs and policies.

1. No additional items to note at this time.

The overall accounting records were found to be in excellent order. We have enjoyed working with organization personnel on the annual audit and look forward to a continuing professional association. We would be happy to make ourselves available to organization personnel or board members if any questions arise as a result of this year's examination.

This information is intended solely for the use of Board of Directors and management of The Shelter, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Cordially,



Long CPA, PA
A Professional Association
Certified Public Accountant