

THE SHELTER, INC.
Lawrence, Kansas

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

For the year ended June 30, 2011

and

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

THE SHELTER, INC.
Lawrence, Kansas

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Long CPA, PA

James M. Long, CPA
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Board of Directors
The Shelter, Inc.
Lawrence, KS 66044

INDEPENDENT AUDITORS' 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, 2011, 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, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2012 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

Long CPA, PA
A Professional Association
Certified Public Accountant

January 24, 2012

THE SHELTER, INC.

Lawrence, Kansas

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

As of June 30, 2011

Assets		
Current assets		
Cash (Note 1)	\$ 865,265	
Investments (Note 3)	530,865	
Prepaid insurance	43,724	
Total current assets		\$ 1,439,854
Fixed assets		
Property and equipment (Note 2)	440,978	
Accumulated depreciation	(202,338)	
Total fixed assets		238,640
Other assets		
Deposits		356
Total assets		<u>\$ 1,678,850</u>
Liabilities and Net Assets		
Current liabilities		
Payroll taxes payable	\$ 2,115	
Total fixed assets		\$ 2,115
Net Assets		
Unrestricted	1,625,488	
Accumulated other comprehensive income		
Unrealized gain on investments	51,247	
Total net assets		<u>1,676,735</u>
Total liabilities and net assets		<u>\$ 1,678,850</u>

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, 2011

<u>Unrestricted Net Assets</u>		
Revenues		
Emergency Shelter care	\$ 426,092	
School lunch program	17,076	
Satellite foster care	148,569	
Diversion foster care	273,392	
Pre-filing diversion fees	16,300	
JJA intake	164,193	
YRC II Services	613,236	
Specialized case management	55,103	
Return on investment	109,337	
Management/general income	361,083	
TSAS, Inc.		
Interest income	34	
	<hr/>	\$ 2,184,415
Support		
City of Lawrence	32,000	
Douglas County	60,000	
Placement grant/ETC grant	109,849	
Rice Foundation grant	3,000	
Unrestricted donations	3,227	
Fund raising	67,906	
	<hr/>	275,982
Total revenue and support		<hr/> 2,460,397
Expenses		
Residential and add on service	915,287	
Intake	207,824	
Placement	100,486	
Pre-filing diversion	56,710	
Specialized case management	55,610	
Family services	424,868	
Management/general	359,335	
Other general	87,102	
TSAS, Inc.	1,200	
	<hr/>	2,208,422
Total expenses		<hr/> 2,208,422
Net Increase (Decrease) in Net Assets		251,975
Net assets, beginning of year		<hr/> 1,424,760
Net assets, end of year		<hr/> <u>\$ 1,676,735</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, 2011

	Vocational		Placement	Pre-filing Diversion
	Residential	Intake		
Salaries and Payroll Taxes	\$ 401,216	\$ 138,597	\$ 67,025	\$ 39,144
Fringe benefits	42,400	14,425	10,535	5,415
Insurance - building and grounds	2,834			
Insurance - vehicles	3,636			
Insurance - general	22,559		2,999	2,928
Contract services: professional	35	4,024		
Group therapy				
Staff development	276	290	218	262
Legal and accounting				
Allowances	4,050			
Supplies: personal	569			
Supplies: school	380			
Supplies: food	49,493			
Supplies: office	373	6,526	421	120
Supplies: medical	293			
Supplies: household	7,215			
Supplies: training				
Postage	159			
Telephone	4,702			
Utilities	13,985			
Repairs and maintenance	19,884			
Repair: vehicles	2,675			
Transportation: gas and oil	12,812			
Vehicle lease	14,859			
Tax and licenses	1,231			
Dues and subscriptions	703			
Business travel	4,044	1,540	622	406
Advertisement	4,644			1,289
Equipment expenses: non-capital	5,570	6,895		
Rent	1,200	2,955		
Communication		2,252		
Recreation	8,121			
Flex payments			6,399	
Fund raising	20			
Clothing	312			
Placement				
Services to families		26,074		

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, 2011

	<u>Residential</u>	<u>Intake</u>	<u>Placement</u>	<u>Pre-filing Diversion</u>
Douglas County Community Foundation				
Rice Foundation				
Agency planning				
Achievement Place expenses				
Other miscellaneous	2,087	762	585	
Miscellaneous: non-allowable				
Management/general expense	255,642	3,484	11,669	7,139
Records check	534		13	7
	<u>888,513</u>	<u>207,824</u>	<u>100,486</u>	<u>56,710</u>
Total Expenses Before Depreciation				
Depreciation	26,774			
	<u>\$ 915,287</u>	<u>\$ 207,824</u>	<u>\$ 100,486</u>	<u>\$ 56,710</u>
Total Expenses				

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, 2011

	<u>Specialized Case Mgmt</u>	<u>Family Services</u>	<u>Management/ General</u>	<u>Other General</u>
Salaries and Payroll Taxes	\$ 44,922	\$ 119,146	\$ 222,796	
Fringe benefits	5,117	7,035	14,074	
Insurance - building and grounds				
Insurance - vehicles				
Insurance - general	1,731	9,936	18,470	
Contract services: professional		750	20,403	
Group therapy				
Staff development	37	259	38	
Legal and accounting Allowances			11,388	
Supplies: personal				
Supplies: school				
Supplies: food				
Supplies: office	87	543	11,077	
Supplies: medical				
Supplies: household				
Supplies: training		352		
Postage		7	2,257	
Telephone			5,703	
Utilities			8,554	
Repairs and maintenance			260	
Repair: vehicles				
Transportation: gas and oil				
Vehicle lease				
Tax and licenses		75		
Dues and subscriptions			6,075	
Business travel	216	5,522	1,350	
Advertisement		2,580		
Equipment expenses: non-capital		2,615	10,557	
Rent			25,800	
Communication				
Recreation				
Flex payments				
Fund raising				16,972
Clothing				
Placement		261,173		
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, 2011

	<u>Specialized Case Mgmt</u>	<u>Family Services</u>	<u>Management/ General</u>	<u>Other General</u>
Douglas County Community Foundation				1,000
Rice Foundation				3,000
Agency planning				10,146
Achievement Place expenses				14,894
Other miscellaneous		231	533	39
Miscellaneous: non-allowable				4,637
Management/general expense	3,500	14,518		36,414
Records check		126		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	55,610	424,868	359,335	87,102
Depreciation				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 55,610</u>	<u>\$ 424,868</u>	<u>\$ 359,335</u>	<u>\$ 87,102</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, 2011

	TSAS	Total
Salaries and Payroll Taxes	\$ -	\$ 1,032,846
Fringe benefits		99,001
Insurance - building and grounds		2,834
Insurance - vehicles		3,636
Insurance - general		58,623
Contract services: professional		25,212
Group therapy		-
Staff development		1,380
Legal and accounting	1,125	12,513
Allowances		4,050
Supplies: personal		569
Supplies: school		380
Supplies: food		49,493
Supplies: office		19,147
Supplies: medical		293
Supplies: household		7,215
Supplies: training		352
Postage		2,423
Telephone		10,405
Utilities		22,539
Repairs and maintenance		20,144
Repair: vehicles		2,675
Transportation: gas and oil		12,812
Vehicle lease		14,859
Tax and licenses	75	1,381
Dues and subscriptions		6,778
Business travel		13,700
Advertisement		8,513
Equipment expenses: non-capital		25,637
Rent		29,955
Communication		2,252
Recreation		8,121
Flex payments		6,399
Fund raising		16,992
Clothing		312
Placement		261,173
Services to families		26,074

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, 2011

	<u>TSAS</u>	<u>Total</u>
Douglas County Community Foundation		1,000
Rice Foundation		3,000
Agency planning		10,146
Achievement Place expenses		14,894
Other miscellaneous		4,237
Miscellaneous: non-allowable		4,637
Management/general expense		332,366
Records check		680
		<hr/>
Total Expenses Before Depreciation	1,200	2,181,648
Depreciation		26,774
		<hr/>
Total Expenses	<u>\$ 1,200</u>	<u>\$ 2,208,422</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, 2011

Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ 251,975
Adjustments to reconcile change in net assets to net cash flows	
Depreciation	26,774
Unrealized loss (gain)	(97,943)
Change in assets and liabilities	
Prepaid insurance	672
Payroll liabilities	(249)
	<hr/>
Net Cash Provided (Used) by Operating Activities	181,229
	<hr/>
Net Cash Flows From Investing Activities	
Purchase of fixed assets	(4,343)
Reinvestment investment income, net of investment fees	(8,948)
	<hr/>
Net Cash Provided (Used) by Investing Activities	(13,291)
	<hr/>
Net Increase (Decrease) in Cash	167,938
	<hr/>
Total Cash and Cash Equivalents as of Beginning of Year	697,327
	<hr/>
Total Cash and Cash Equivalents as of End of Year	\$ 865,265
	<hr/>
<u>Supplemental Information</u>	
Interest paid	\$ -
	<hr/>
Income taxes paid	\$ -
	<hr/>

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 \$ 1,411,426 which consisted of \$ 468,373 in open accounts, \$ 347,184 in money market accounts, \$ 65,004 in certificates of deposit and \$ 530,865 in investments accounts.

In October 2008, the FDIC announced deposits at FDIC-insured institutions are insured up to at least \$250,000 per depositor until December 31, 2013. On January 1, 2014, FDIC deposit insurance for all deposit accounts—except for certain retirement accounts—will return to at least \$100,000 per depositor. Insurance coverage for certain retirement accounts, which include all IRA deposit accounts, was increased permanently to \$250,000 per depositor in 2006. In addition, FDIC announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC-insured institutions that agree to participate in the program. The transaction account guarantee applies to all personal and business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage is temporary and will remain in effect for participating institutions until June 30, 2011.

The organization's deposits are held in Lawrence, Kansas banks. The deposits were under secured by \$ 630,561 as of June 30, 2011. 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, 2011 was \$26,774.

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.

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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.

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>

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

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, 2011:

	<u>Cost Basis</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Mutual Funds	<u>\$ 479,618</u>	<u>\$ 530,865</u>	<u>\$ 51,247</u>

Investment return is summarized as follows:

Interest/dividends	\$ 11,394
Unrealized gain (loss)	<u>97,943</u>
	<u>\$ 109,337</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.

THE SHELTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Compensated Absences

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

Compensated absences include the following:

	Vacation	Sick
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

NOTE 6 – Leases

The Organization leases two vehicles from Jim Clark and Laird Noller Leasing for \$1,230.69 per month. The leases are operating leases expiring May 7, 2011 and September 30, 2012. A total of \$14,859 was paid for the leases during the year ended June 30, 2011.

Future minimum payments are as follows:

Year	Amount
2012	\$ 8,092
	\$ 8,092

NOTE 7 – Subsequent Events

Subsequent events for management's review have been evaluated through January 25, 2011. The date in the prior sentence is the date the financial statements were available to be issued.

THE SHELTER, INC.
Lawrence, Kansas

Schedule 1

STATEMENT OF REVENUES AND EXPENSES FOR GRANTS
BUDGET AND ACTUAL
CHILDREN'S ALLIANCE CASE MANAGEMENT GRANT
For the period July 1, 2010 to June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Grant Revenue	<u>\$ 100,487</u>	<u>\$ 100,487</u>	<u>\$ -</u>
Expenses			
Case management	\$ 94,088	\$ 94,088	\$ -
Flex payments	<u>6,399</u>	<u>6,399</u>	<u>-</u>
	<u>\$ 100,487</u>	<u>\$ 100,487</u>	<u>\$ -</u>

Long CPA, PA

James M. Long, CPA
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, 2011 and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

Long CPA, PA
A Professional Association
Certified Public Accountant

January 24, 2012

Long CPA, PA

James M. Long, CPA
Shareholder

10115 Cherry Lane
Lenexa, KS 66220

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January 24, 2012

To the Board of Directors
The Shelter, Inc.

We have audited the financial statements of The Shelter, Inc for the year ended June 30, 2011, and have issued our report thereon dated January 24, 2012. 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 October 14, 2011, 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, 2011. 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 January 24, 2012.

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.

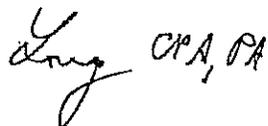
During the course of our examination of the financial statements of The Shelter, Inc. for the year ended June 30, 2011, we made observations, which in our professional judgment are neither a significant deficiency or a material weakness, we feel will be of benefit to you in your continuing management or the Organization's affairs and policies.

1. The depreciation schedule should be regularly reviewed and updated for the retirement and disposal of long term assets.

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