SHELTER PARTNERSHIP, INC.

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

SHELTER PARTNERSHIP, INC.
(A NONPROFIT ORGANIZATION)
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SingerLewak LLP

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San Francisco

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shelter Partnership, Inc.
Los Angeles, California

SINCE 1959

We have audited the accompanying statement of financial position of Shelter Partnership, Inc. (the "Partnership") as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2011 financial statements and, in our report dated January 18, 2012, we expressed a qualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 explained in Note 3 to the financial statements, the Partnership did not record donated land and building at fair value. Failure to record the donated land at fair value is a departure from accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the omission of the fair market value of the donated land and building as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Singer Lewak LLP

SingerLewak LLP

Los Angeles, California
November 6, 2012

SHELTER PARTNERSHIP, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(with Comparative Totals for June 30, 2011)

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 767,286	$ 904,286
Investments	251,239	250,992
Accounts receivable	108,435	21,235
Pledges receivable	95,796	173,495
Inventory	10,770,105	10,987,216
Prepaid expenses and other assets	3,991	1,492
	11,996,852	12,338,716
Property and equipment, net	7,563,850	7,826,239
Total assets	**$ 19,560,702**	**$ 20,164,955**

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 9,958	$ 7,779
Capital lease obligation – current portion	3,421	2,890
Compensated absences	46,597	50,263
401(k) plan payable	51,687	51,678
Accrued liabilities	19,135	4,343
Total current liabilities	130,798	116,953
Capital lease obligation – long-term portion	8,769	12,722
Total liabilities	139,567	129,675
Net assets		
Unrestricted	3,605,229	3,715,076
Temporarily restricted	15,815,906	16,320,204
Total net assets	19,421,135	20,035,280
Total liabilities and net assets	**$ 19,560,702**	**$ 20,164,955**

The accompanying notes are an integral part of these financial statements.

SHELTER PARTNERSHIP, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(with Comparative Totals for the Year Ended June 30, 2011)

	2012			
	Unrestricted	Temporarily Restricted	Total	Total 2011
Revenue and support				
Donated goods	$ -	$ 7,981,631	$ 7,981,631	$ 7,649,808
Foundation contributions	99,131	125,000	224,131	356,586
Individual and corporate contributions	347,882	6,802	354,684	182,505
Government grants	245,818	-	245,818	244,584
Special events, net of expense of $9,458 in 2012 and $111,891 in 2011	221,174	-	221,174	844,095
Consulting services	344,658	-	344,658	203,054
Investment income	2,390	-	2,390	2,031
Other income	250	-	250	436
Total revenue and support	1,261,303	8,113,433	9,374,736	9,483,099
Net assets released from restrictions	8,617,731	(8,617,731)	-	-
Total revenue and support after release from restrictions	9,879,034	(504,298)	9,374,736	9,483,099
Functional expenses				
Program services				
Material assistance	9,061,237	-	9,061,237	9,298,703
Public education and policy/ technical assistance	492,156	-	492,156	398,417
Total program services	9,553,393	-	9,553,393	9,697,120
Supporting services				
General and administrative	204,784	-	204,784	205,459
Fundraising	230,704	-	230,704	228,916
Total supporting services	435,488	-	435,488	434,375
Total functional expenses	9,988,881	-	9,988,881	10,131,495
Change in net assets	(109,847)	(504,298)	(614,145)	(648,396)
Net assets, beginning of year	3,715,076	16,320,204	20,035,280	20,683,676
Net assets, end of year	**$ 3,605,229**	**$ 15,815,906**	**$ 19,421,135**	**$ 20,035,280**

The accompanying notes are an integral part of these financial statements.

SHELTER PARTNERSHIP, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012
(with Comparative Totals for the Year Ended June 30, 2011)

	Program Services		Supporting Services		Totals	
	Material Assistance	Public Education and Policy/ Technical Assistance	General and Administrative	Fundraising	2012	2011
Personnel expenses						
Salaries	$ 302,064	$ 278,340	$ 97,272	$ 122,288	$ 799,964	$ 788,689
Employee benefits	58,377	34,383	14,934	32,069	139,763	122,713
Payroll taxes	39,818	24,254	8,568	10,496	83,136	81,146
Total personnel expenses	400,259	336,977	120,774	164,853	1,022,863	992,548
Other functional expenses						
Depreciation	309,846	2,039	7,545	1,378	320,808	315,502
Donated goods distributed	8,198,742	-	-	-	8,198,742	8,471,148
Insurance	17,299	1,682	3,431	1,615	24,027	29,887
K.I.D.S.	15,000	-	-	-	15,000	15,000
Miscellaneous	89	58,908	557	5,772	65,326	3,371
Newsletter	-	-	-	5,581	5,581	7,376
Occupancy	45,029	38,237	20,390	21,668	125,324	124,180
Office expense	18,852	11,466	4,759	4,753	39,830	29,599
Postage	-	529	2,012	358	2,899	3,843
Printing	1,633	2,139	6,503	1,446	11,721	8,085
Professional fees	13,572	16,984	26,735	16,550	73,841	48,279
Taxes and assessments	12,270	-	-	-	12,270	11,410
Telephone	5,803	4,044	1,966	1,640	13,453	17,329
Training and education	2,284	4,569	6,699	1,675	15,227	13,148
Travel	1,707	14,582	3,413	3,415	23,117	19,912
Trucking	10,796	-	-	-	10,796	13,010
Warehousing	8,056	-	-	-	8,056	7,868
Total other functional expenses	8,660,978	155,179	84,010	65,851	8,966,018	9,138,947
Total functional expenses	**$ 9,061,237**	**$ 492,156**	**$ 204,784**	**$ 230,704**	**$ 9,988,881**	**$ 10,131,495**

The accompanying notes are an integral part of these financial statements.

SHELTER PARTNERSHIP, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
(with Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Cash flows from operating activities		
Change in net assets	$ (614,145)	(648,396)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	320,808	315,502
Non-cash donation of securities	-	(992)
Receipt of donated inventories	(7,981,631)	(7,649,808)
Distribution of donated inventories	8,198,742	8,471,148
Changes in operating assets and liabilities		
Accounts receivable	(87,200)	45,164
Pledges receivable	77,699	128,141
Prepaid expenses and other assets	(2,499)	11,233
Accounts payable	2,179	7,285
Compensated absences	(3,667)	(2,018)
401(k) plan payable	9	6,939
Accrued liabilities	14,792	4,343
Net cash provided by (used in) operating activities	(74,913)	688,541
Cash flows from investing activities		
Purchase of investments	(247)	(155,000)
Purchase of property and equipment	(58,418)	(65,837)
Net cash used in investing activities	(58,665)	(220,837)
Cash flows from financing activities		
Repayments of note payable	-	(198,858)
Principal payments under capital lease obligation	(3,422)	(797)
Net cash used in financing activities	(3,422)	(199,655)
Net increase (decrease) in cash and cash equivalents	(137,000)	268,049
Cash and cash equivalents, beginning of year	904,286	636,237
Cash and cash equivalents, end of year	**$ 767,286**	**$ 904,286**
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	**$ 298**	**$ 5,430**
Supplemental disclosure of non-cash investing and financing activity		
Receipt of donated securities	**$ -**	**$ 992**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – PARTNERSHIP

Shelter Partnership, Inc. (the "Partnership") is a California not-for-profit public benefit corporation whose primary purpose is to prevent and to end homelessness in Los Angeles County. To accomplish this goal, the Partnership provides technical assistance in the development of short-term housing and permanent, affordable housing with supportive services to individuals and families who are homeless or at risk of homelessness. The Partnership also advances the development and implementation of homeless and special needs housing programs through research, planning and technical assistance, and also distributes new goods, at no cost, to community agencies serving the homeless and households in poverty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Partnership's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Temporarily Restricted Net Assets

Temporarily restricted net assets include those assets whose use by the Partnership has been limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Partnership pursuant to those stipulations.

Contributions

The Partnership distinguishes between contributions of unrestricted assets and temporarily restricted assets. Contributions from donors that have imposed restrictions limiting use of donated assets are reported as restricted assets. When these restrictions are met, temporarily restricted assets are reclassified to unrestricted net assets and reported as assets released from restrictions. Contributions from donors that have no restrictions are reported as unrestricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods, Revenues, Inventory and Expenses

Donated goods consist of new goods donated by manufacturers, retailers and others, including clothing, personal care products, household goods, cleaning supplies, paper products, office products, etc. These goods are recorded at estimated fair market value, which is typically provided by the donor on the date of receipt and recorded as contributions in temporarily restricted net assets. The goods are held at cost on an item-by-item basis and placed into inventory for distribution. Goods are distributed to independent not-for-profit organizations for households in poverty, and the distributed items values are removed from inventory based on the specific identification method. Upon distribution of the inventory, the amount is released from temporarily restricted net assets. The Partnership reviews inventory on a quarterly basis for possible damaged or expired goods.

Contributed Services

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Partnership pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Partnership with specific programs. These volunteer services of the Partnership did not meet the above criteria, and therefore have not been recorded in the accompanying financial statements.

Functional Classification of Expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash and were purchased with maturities of less than three months.

Accounts and Pledges Receivable

Earnings and pledges for contributions not collected by the Partnership at year-end are recorded as accounts and pledges receivable, and no provision has been made for uncollectible amounts, as all amounts are considered to be fully collectible. No discount is required, as all receivables are collected within one year.

Investments

As of June 30, 2012, the Partnership had $250,000 of investments held in certificates of deposit at fair value, which mature between April 3, 2013 and July 5, 2013 and bear interest at rates ranging from .7% to .9%. The Partnership also held $1,239 in securities at year-end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are carried at cost. Expenditures for property and equipment in excess of $1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of these assets are as follows:

Building	30 years
Building improvements	5 – 30 years
Furniture and office equipment	5 years

Maintenance and repairs are charged to the appropriate expense account in the period in which the expenditure is incurred. Improvements and betterments are capitalized and depreciated. When property and equipment are sold, or otherwise disposed of, the asset and accumulated depreciation are removed and any gain or loss is recognized. Contributions of long-lived assets with time restrictions stipulated by the donor are recorded as temporarily restricted support and an increase in temporarily restricted net assets when received. Amounts are reclassified from temporarily restricted to unrestricted net assets ratably over the life of the stipulated time period.

Concentrations of Credit Risk

Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. These securities are primarily held at one financial institution and are insured by the Federal Deposit Insurance Corporation ("FDIC") with coverage up to $250,000, as they are interest-bearing accounts. The FDIC provides unlimited insurance on non-interest-bearing accounts. At times during the year, cash in these accounts may exceed the federally insured amounts. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Income Taxes

The Partnership is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, the Partnership does not have any revenue which it believes would subject it to unrelated business income taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
The Partnership has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Uncertainty in Income Taxes" ("ASC 740"). In accordance with ASC 740, the Partnership recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Partnership has not recorded any uncertain tax positions. The Partnership recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended June 30, 2012 and 2011, the Partnership did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At June 30, 2012, the open tax years for the Partnership were 2007 to 2011.

Use of 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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Fair Value Measurements
The Partnership applies the guidance of FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures. ASC 820 applies to all assets and liabilities that are recognized or disclosed at fair value. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)
In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

At June 30, 2012, the Partnership's financial instruments consisted primarily of cash and cash equivalents, accounts receivable, pledges receivable, accounts payable, compensated absences, 401(k) plan payable and accrued liabilities, which are all stated at carrying value, which approximate fair value due to the short maturity of these instruments.

Cash and cash equivalents are financial assets with maturities of less than three months and are primarily classified within Level 1. Investments are certificates of deposit and securities and are classified within Level 1.

Recently Issued Accounting Pronouncements
In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," to converge the guidance in US GAAP and International Financial Reporting Standards ("IFRSs"). The amended guidance changes several aspects of the fair value measurement guidance in ASC 820. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. The Partnership is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 3 – GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DEPARTURE

Donated Building and Land
During the year ended June 30, 2008, the Partnership was granted legal title to a building and land from the General Services Administration of the Federal Government. No appraisal was performed to determine the fair market value of the property. The Partnership recorded the property at a value of $5,732,117 based on an insurance estimate of the building only, which is not representative of fair market value. Accordingly, the accompanying financial statements do not include the fair market value of the donated building and land.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give which will be collected in future periods. Pledges expected to be collected in more than one year are discounted to their present value using appropriate discount rates. Pledges receivable of $95,796 and $173,495 as of June 30, 2012 and 2011, respectively, are expected to be collected in less than one year.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 consisted of the following:

	2012	2011
Office equipment	$ 133,819	$ 129,538
Vehicles/warehouse equipment	234,967	212,914
Construction in progress	30,721	3,755
Warehouse	5,732,117	5,732,117
Warehouse improvements	2,978,425	2,973,306
	9,110,049	9,051,630
Less accumulated depreciation	1,546,199	1,225,391
Property and equipment, net	**$ 7,563,850**	**$ 7,826,239**

Depreciation expense was $320,808 and $315,502 for the years ended June 30, 2012 and 2011, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2012:

	Available June 30, 2011	New Revenues	Released from Restriction	Available June 30, 2012
Donated goods available for distribution	$ 10,987,216	$ 7,981,631	$ (8,198,742)	$ 10,770,105
Donated building	4,967,835	-	(191,071)	4,776,764
Contributions to support				
Operations	118,048	130,245	(171,325)	76,968
Capital campaign	247,105	1,557	(56,593)	192,069
Total	**$ 16,320,204**	**$ 8,113,433**	**$ (8,617,731)**	**$ 15,815,906**

NOTE 7 – LEASE COMMITMENTS

The Partnership leases equipment under an agreement that is classified as a capital lease. The original cost of equipment under this capital lease is included under property and equipment in the statement of financial position, and the balance at June 30, 2012 was $15,868. Accumulated depreciation of the leased equipment for the year ended June 30, 2012 was $3,169. The depreciation of assets under capital leases is included in depreciation expense.

The total capitalized cost and future minimum capital lease payments are as follows:

Years Ending June 30,	
2013	$ 3,719
2014	3,188
2015	3,188
2016	2,604
Total minimum lease payments	12,699
Amount representing interest	(509)
Present value of minimum lease payments	12,190
Current portion	(3,421)
Long-term portion	**$ 8,769**

The Partnership has entered into a noncancelable operating lease for its office space, which expires in fiscal year 2016. The total future minimum noncancelable lease payments are as follows:

Years Ending June 30,	
2013	$ 89,805
2014	102,132
2015	106,216
2016	9,084
Total	**$ 307,237**

For the fiscal year ended June 30, 2012, rental expense was $125,324.

NOTE 8 – PROFIT SHARING PLAN

Effective October 1, 1997, the Partnership adopted a 401(k) profit sharing plan (the "Plan"). All employees are eligible to participate in the Plan as long as they are twenty-one years of age and have completed 500 hours of service. The Plan allows employees to defer up to 20% of their salary or $17,000 plus a catch-up of $5,500 for individuals over 50 and $15,500 for the calendar years ended December 31, 2012 and 2011, respectively, whichever is less. The Partnership, at management's discretion, contributed 5% of the employee's salary for the fiscal years ended June 30, 2012 and 2011, which totaled $51,035 and $52,409, respectively.

Effective January 1, 2002, the Partnership adopted a tax-exempt 457 deferred compensation plan for the sole benefit of the Partnership's executive director. The Plan allows for contributions to the plan at the Board's discretion, subject to IRS contribution limits. For the fiscal years ended June 30, 2011 and June 30, 2012, the Partnership contributed $6,500 to the Plan.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Partnership's Board of Directors is actively involved in raising funds for the Partnership. During the years ended June 30, 2012 and 2011, the Partnership received a total of $62,877 and $42,791, respectively, in contributions from Board members.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 6, 2012, which is the date the financial statements were issued or available to be issued.