



SHELTER, INC.

Financial Statements (With Supplementary Information)

For the Year Ended September 30, 2010



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Shelter, Inc.

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Shelter, Inc.
Alpena, MI

We have audited the accompanying statement of financial position of *Shelter, Inc.* (a nonprofit organization) as of September 30, 2010, and the related statements of activities, functional expenses and cash flows 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. The prior year summarized comparative information has been derived from the Organization's September 30, 2009 financial statements and, in our report dated January 7, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Shelter, Inc.* as of September 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011, on our consideration of *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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of *Shelter, Inc.* taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of support and revenue, expenses and net assets is presented for purposes of additional analysis and is also 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.

Smith + Klayhewig PC

Saginaw, Michigan

February 3, 2011

SHELTER, INC.

Statement of Financial Position

September 30, 2010

ASSETS	
Current assets	
Cash and cash equivalents	\$ 285,211
Investments	36,307
Grants receivable	60,515
Accounts receivable	415
Refundable advance / endowment investment	13,880
Other assets	1,200
Total current assets	<u>397,528</u>
Property and equipment	
Land	20,000
Land improvements	8,764
Buildings	394,544
Leasehold improvements	129,750
Furniture and fixtures	51,574
	<u>604,632</u>
Less accumulated depreciation	<u>(323,485)</u>
Net property and equipment	<u>281,147</u>
Total assets	<u><u>\$ 678,675</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 8,029
Current portion of long-term debt	8,030
Accrued wages, payroll taxes and deductions	26,456
Total current liabilities	<u>42,515</u>
Noncurrent liabilities	
Long-term debt, net of current portion	70,711
Accrued compensated absences	31,714
Total noncurrent liabilities	<u>102,425</u>
Total liabilities	<u>144,940</u>
Net assets	
Investment in property and equipment, net of related debt	202,406
Unrestricted	331,329
Total net assets	<u>533,735</u>
Total liabilities and net assets	<u><u>\$ 678,675</u></u>

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

SHELTER, INC.

Statement of Activities

For the Year Ended September 30, 2010

	<u>Unrestricted</u>
Support and revenue	
Governmental agencies	
Federal financial assistance	\$ 624,845
Other	96,722
Contributions	120,450
Donated facilities	83,232
Donated materials	253,796
Thrift store sales	170,774
Fundraising	8,856
Rental revenue	17,679
Interest	1,504
Other income	17
Total support and revenue	<u>1,377,875</u>
Expenses	
Program / supporting services	
Victim services	905,808
Supportive housing (excluding safe house)	285,271
Non-program supporting services	
Administration	107,261
Thrift store operations	98,111
Fundraising	1,358
Total expenses	<u>1,397,809</u>
Change in net assets	(19,934)
Net assets - beginning of year	553,669
Net assets - end of year	<u>\$ 533,735</u>

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

SHELTER, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2010

(With comparative total amounts for the year ended September 30, 2009)

	Program / Supporting Services	
	Victim Services	Supportive Housing (Excluding Safe House)
Salaries	\$ 390,288	\$ 77,174
Workman's compensation	5,774	731
Benefits	59,549	9,578
Payroll taxes	39,252	7,427
Total salaries and related expenses	494,863	94,910
Advertising	135	-
Association fees	1,272	1,908
Client assistance - general	3,463	73,781
Client assistance - lease vouchers	27,207	19,865
Contractual services	840	-
Dues and subscriptions	947	190
Education	1,937	-
Food supplies	3,931	70
Fundraising	430	-
Garbage removal	651	-
Household supplies	2,618	100
Insurance - building and liability	9,404	820
Insurance - directors and officers	-	-
Insurance - volunteers	500	-
Interest	-	5,786
Donated facilities	20,904	62,328
Donated materials	253,796	-
Miscellaneous	880	30
Office supplies	11,452	4,457
Pager	95	-
Postage	1,309	114
Professional fees	-	-
Rent	19,462	10,896
Repairs and maintenance	6,147	42
Staff training	1,498	235
Transportation	14,463	3,376
Telephone	12,368	2,974
Utilities	13,658	3,037
Water	1,578	352
Total expenses before depreciation	905,808	285,271
Depreciation expense	-	-
Total expenses	\$ 905,808	\$ 285,271

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

<u>Non-Program Services</u>			<u>Total</u>	
<u>Administration</u>	<u>Thrift Store Operations</u>	<u>Fundraising</u>	<u>2010</u>	<u>2009</u>
\$ 62,454	\$ 46,116	\$ -	\$ 576,032	\$ 530,277
-	-	-	6,505	6,231
136	(966)	-	68,297	72,799
5,574	5,432	-	57,685	53,026
<u>68,164</u>	<u>50,582</u>	<u>-</u>	<u>708,519</u>	<u>662,333</u>
-	161	90	386	-
-	-	-	3,180	3,105
-	-	-	77,244	84,096
-	-	-	47,072	42,608
938	-	-	1,778	1,738
1,309	50	-	2,496	2,752
-	-	-	1,937	2,798
-	60	-	4,061	5,420
15	-	1,214	1,659	970
-	1,597	-	2,248	2,394
-	-	-	2,718	3,029
-	-	-	10,224	7,939
-	-	-	-	2,487
-	-	-	500	500
-	-	-	5,786	6,345
-	-	-	83,232	81,696
-	-	-	253,796	103,399
30	5	-	945	481
546	1,869	-	18,324	13,727
-	-	-	95	570
26	1	54	1,504	1,418
6,400	-	-	6,400	12,900
7,036	30,600	-	67,994	60,365
17	1,131	-	7,337	12,297
-	-	-	1,733	3,641
253	574	-	18,666	18,478
446	2,270	-	18,058	17,888
537	8,442	-	25,674	19,761
-	769	-	2,699	3,018
<u>85,717</u>	<u>98,111</u>	<u>1,358</u>	<u>1,376,265</u>	<u>1,178,153</u>
<u>21,544</u>	<u>-</u>	<u>-</u>	<u>21,544</u>	<u>22,618</u>
<u>\$ 107,261</u>	<u>\$ 98,111</u>	<u>\$ 1,358</u>	<u>\$ 1,397,809</u>	<u>\$ 1,200,771</u>

SHELTER, INC.

Statement of Cash Flows

For the Year Ended September 30, 2010

Cash flows from operating activities	
Change in net assets	\$ (19,934)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	21,544
Changes in assets and liabilities which provided (used) cash:	
Grants receivable	(16,489)
Accounts receivable	(133)
Refundable advance / endowment investment	(700)
Other assets	(25)
Accounts payable	(2,671)
Deferred revenue	(816)
Accrued wages, payroll taxes and deductions	3,545
Accrued compensated absences	2,775
	<hr/>
Net cash provided by (used in) operating activities	(12,904)
Cash flows from investing activities	
Purchase of investments	<hr/> (361)
Cash flows from financing activities	
Repayment of long-term debt	<hr/> (8,025)
Net increase (decrease) in cash and cash equivalents	(21,290)
Cash and cash equivalents - beginning of year	<hr/> 306,501
Cash and cash equivalents - end of year	<hr/>\$ 285,211
Supplemental disclosure of cash flows information:	
Cash paid for interest	<hr/> <hr/> \$ 5,786

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

SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 – MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

Shelter, Inc., a Michigan nonprofit corporation, is a community supported human service organization dedicated to assisting victims/survivors and their families in ending domestic and sexual violence and discrimination in their lives through education, systems change, building community partnerships and ensuring availability and accessibility of support services. *Shelter, Inc.* is supported primarily through various governmental grants and donor contributions.

Financial Statement Presentation

Shelter, Inc. reports 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. Unrestricted net assets are available for the support of *Shelter, Inc.'s* operations. Temporarily restricted net assets are restricted by donors to be used for a specified purpose or for a specified time period. When the time or purpose restriction has been satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are restricted by donors to be held for perpetuity. The Organization currently has no temporarily or permanently restricted net assets.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables, and other liabilities. Under this method revenues are recognized when earned and expenses are recorded as incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and money market savings accounts with banks or other financial institutions. At times, such deposits may exceed the FDIC insured limits.

Shelter, Inc. maintains unexpended grant proceeds from the Michigan State Housing Development Authority in a separate non-interest bearing account in accordance with requirements of the grantor. At September 30, 2010, the bank balance of this separate account was \$390.

Investments

Investments are reported at fair value and consist of certificates of deposit with a maturity date greater than 90 days.

SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with grantor agencies with outstanding balances and current relationships with them, they have concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment and Depreciation

Land, buildings, leasehold improvements and furniture and fixtures are stated at cost and are being depreciated over their estimated useful lives, which range from 5 to 30 years, using the straight-line method of depreciation. It is *Shelter, Inc.*'s policy to capitalize such assets costing \$5,000 or more. Management annually reviews these assets to determine whether carrying values have been impaired.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donated Facilities, Services, and Materials

Shelter, Inc. occupies four duplexes in Oscoda, Michigan under a conditional lease agreement with Oscoda Charter Township. *Shelter, Inc.* is not required to pay any rent for the duplexes under the agreement. The approximate fair value of the annual rent is \$83,232, which is included in support and revenue and expense in the statement of activities.

Shelter, Inc. received donated services from a variety of unpaid volunteers during the year ended September 30, 2010. A dollar valuation of their effort is not reflected in the financial statements since such services do not meet the criteria for recognition.

Shelter, Inc. received donated materials, such as food, clothing and furniture that meet recognition requirements during the year ended September 30, 2010. *Shelter, Inc.* recognized \$253,796 as the estimated value of these materials in the accompanying financial statements, with a like amount included as other program expenses. *Shelter, Inc.* recognizes these donated materials as contributions based upon their estimated fair value on the date received.

Revenue Recognition

Grant revenue is received by *Shelter, Inc.* for specific programs and is earned and reported as unrestricted revenue when related expenses are incurred.

Sales revenue is received by *Shelter, Inc.* for various items sold in thrift stores and is earned and reported as unrestricted revenue at the point of sale.

SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functional Allocation of Expenses

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

Income Taxes

Shelter, Inc. is a not-for-profit organization, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

New Accounting Pronouncements

Uncertainty for Income Taxes

In July 2006, the FASB issued a new standard related to *Accounting for Uncertainty in Income Taxes*, now codified as ASC Topic 740. ASC Topic 740 seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. Not-for-profit organizations are also within the scope of ASC Topic 740. An organization must consider whether it has engaged in activities that jeopardize their current tax exempt status with the Internal Revenue Service. Furthermore, the Organization must determine whether it has any unrelated business income, which may be subject to US Federal Income Tax. The Organization adopted the provisions of ASC Topic 740 effective October 1, 2009, and, accordingly, analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Organization has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its operating expenses. The adoption of ASC Topic 740 had no significant impact on the Organization's financial statements.

The Organization has evaluated the provision of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. The evaluation was performed for the years 2007 through 2010, the years which remain subject to examination by major tax jurisdiction as of September 30, 2010. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly increase or decrease in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2010, and it is not aware of any claims for such amounts by federal or state income tax authorities.

SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Concentrations

State and federal grants were approximately 52% of total support and revenue, including the donated facilities and materials, during the year ended September 30, 2010.

Comparative Financial Information

The statement of functional expense includes prior year summarized comparative information. 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 *Shelter, Inc.* financial statements for the year ended September 30, 2009, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2010, the most recent statement of financial position presented herein, through the February 3, 2011, the date these financial statement were available to be issued. No significant such events or transactions were identified

NOTE 2 – LONG-TERM DEBT

Long-term debt of *Shelter, Inc.* at September 30, 2010, is summarized as follows:

Notes payable with First Federal Bank, secured by the mortgages of two residential units, payable in monthly installments of \$1,134, including 6.75% interest, with a final principal and interest payment due on June 7, 2013.	\$ 78,741
Less current portion	<u>(8,030)</u>
Long-term debt, net of current portion	<u>\$ 70,711</u>

SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Scheduled principal maturities of long-term debt for the year succeeding September 30, 2010 are summarized as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 8,030	\$ 5,083
2012	8,576	4,536
2013	62,135	4,241
Total	<u>\$ 78,741</u>	<u>\$ 13,860</u>

NOTE 3 – OPERATING LEASES

Shelter, Inc. has entered into multiple lease agreements. These agreements have met the criteria, and are properly recorded as operating leases. The lease agreements include office space located in Harrisville, MI, a Toshiba copier, a thrift store located in Oscoda, MI and a Chevrolet Equinox for the Executive Director. Rental expenses for those leases consisted of \$67,994 for the year ended September 30, 2010. Future minimum lease payments under operating leases that have initial lease terms in excess of one year as of September 30, 2010, are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2011	\$ 10,671
2012	6,446
2013	6,446
2014	2,149

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SHELTER, INC.

Schedule of Support and Revenue, Expenses and Net Assets

For the Year Ended September 30, 2010

(With comparative total amounts for the year ended September 30, 2009)

	Program / Supporting Services	
	Victim Services	Supportive Housing (Excluding Safe House)
Support and revenue		
Governmental agencies:		
Federal financial assistance	\$ 383,323	\$ 241,522
State and local agencies	87,222	-
Other grants	9,500	-
The Salvation Army	25,140	-
Besser Foundation	28,000	-
United Way	17,372	-
Northern Convocation	9,503	-
Comstock Fund	4,700	-
Mary Kay Ash Foundation	-	-
Cash contributions	33,716	140
Donated facilities	20,904	62,328
Donated materials	253,796	-
Thrift store sales	-	-
Fundraising	-	-
Rental revenue	-	17,679
Interest	-	-
Other income	15	-
Total support and revenue	\$ 873,191	\$ 321,669
Expenses	\$ 905,808	\$ 285,271
Changes in net assets		
Net assets - beginning of year		
Net assets - end of year		

Non-Program Services			Total	
Administration	Thrift Store Operations	Fundraising	2010	2009
\$ -	\$ -	\$ -	\$ 624,845	\$ 563,551
-	-	-	87,222	80,580
-	-	-	9,500	310
-	-	-	25,140	25,332
-	-	-	28,000	25,000
-	-	-	17,372	17,486
-	-	-	9,503	8,000
-	-	-	4,700	3,500
-	-	-	-	20,000
-	890	989	35,735	43,283
-	-	-	83,232	81,696
-	-	-	253,796	103,399
-	170,774	-	170,774	171,151
-	-	8,856	8,856	7,836
-	-	-	17,679	35,143
1,475	29	-	1,504	3,482
2	-	-	17	107
<u>\$ 1,477</u>	<u>\$ 171,693</u>	<u>\$ 9,845</u>	<u>1,377,875</u>	<u>1,189,856</u>
<u>\$ 107,261</u>	<u>\$ 98,111</u>	<u>\$ 1,358</u>	<u>1,397,809</u>	<u>1,200,771</u>
			(19,934)	(10,915)
			<u>553,669</u>	<u>564,584</u>
			<u>\$ 533,735</u>	<u>\$ 553,669</u>



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA 989-751-1167

ROBERT R. KLACZKIEWICZ, CPA 989-751-3064

A VETERAN OWNED BUSINESS

**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
Shelter, Inc.
Alpena, MI

We have audited the financial statements of *Shelter, Inc.* (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 3, 2011. 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 *Shelter, Inc.*'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Shelter, Inc.*'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Shelter, Inc's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith + Klawnschewitz PC

Saginaw, Michigan

February 3, 2011



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Shelter, Inc.
Alpena, MI

Compliance

We have audited *Shelter, Inc.*'s 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 *Shelter, Inc.*'s major federal programs for the year ended September 30, 2010. *Shelter, Inc.*'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of *Shelter, Inc.*'s management. Our responsibility is to express an opinion on *Shelter, Inc.*'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Shelter, Inc.*'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of *Shelter, Inc.*'s compliance with those requirements.

In our opinion, *Shelter, Inc.* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of *Shelter, Inc.* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *Shelter, Inc.*'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *Shelter, 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.

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors 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.

Smith + Klauszewicz PC

Saginaw, Michigan

February 3, 2011

Shelter, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Agency / Pass Through Agency / Program Title	Federal CFDA Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Amount Expended
Department of Housing and Urban Development				
Passed through Michigan State Housing Development Authority				
Supportive Housing Program	14.235	MI0274B5F220801	\$ 44,231	\$ 34,036
Supportive Housing Program	14.235	MI0274B5F220802	44,231	<u>2,375</u>
Total Department of Housing and Urban Development				<u>36,411</u>
Department of Justice				
Passed through Michigan Department of Community Health				
Crime Victim Assistance	16.575	20015-13V07	93,384	93,384
Passed through Michigan Department of Human Services				
STOP Violence Against Women	16.588	STOP-08-04001	96,945	91,810
ARRA - STOP Violence Against Women	16.588	RADV-09-04001	81,315	42,082
Rural Domestic Violence and Child Victimization				
Enforcement Grant Program	16.589	DV-08-04001	38,070	38,070
ARRA - OVW Recovery Act Transitional Housing Assistance				
Grants for Victims of Domestic Violence, Dating Violence, Stalking or Sexual Assault	16.805	RATSH 10-04001	250,000	<u>59,092</u>
Total Department of Justice				<u>324,438</u>
Department of Health and Human Services				
Passed through Michigan Department of Human Services				
Temporary Assistance for Needy Families	93.558	DV-08-04001	62,006	62,006
Temporary Assistance for Needy Families	93.558	TSH-08-04001	141,500	140,585
Family Violence Prevention Services	93.671	DV-08-04001	55,971	55,971
Passed through The Salvation Army				
Temporary Assistance for Needy Families	93.558	N/A	25,500	<u>25,140</u>
Total Department of Health and Human Services				<u>283,702</u>
Department of Homeland Security				
Direct Award				
Emergency Food and Shelter	97.024	LRO 463800-001	5,434	<u>5,434</u>
Total expenditures of federal awards				<u>\$ 649,985</u>

Footnotes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of **Shelter, Inc.** under programs of the federal government for the year ended September 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of **Shelter, Inc.**, it is not intended to and does not present the financial position or changes in net assets of **Shelter, Inc.**

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipients

None of the federal expenditures presented in the Schedule were provided to subrecipients.

Shelter, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditors' report issued on compliance for major program(s): Unqualified

Internal control over major program(s)

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Number	Name of Federal Program(s) or Cluster(s)
16.588	Violence Against Women Formula Grants
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualify as a low-risk auditee? _____ Yes X No

Shelter, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None