SHELTER PARTNERSHIP, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Gursey | Schneider LLP

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

PARTNERS
David J. Swan, CPA*†
David E. Blumenthal, CPA*†
Stephan H. Wasserman, CPA*†
Robert O. Watts, CPA†
Tracy Farryl Katz, ESQ., CPA†
Nazfar B. Afshar, CPA†
Marie Ambrosino
Gary L. Krausz, CPA†
Keith S. Dolabson, CPA
James M. Good, CPA†
Brian J. Gray, CPA

PRINCIPALS
Jerome D. Vermeulen, CPA

DIRECTORS
Stacey S. Summers, CPA

FOUNDERS
Donald L. Gursey, (1936-2007)
Stanley B. Schneider, CPA

1888
Century Park East
Suite 900
Los Angeles
CA
90067-1735

310 552 0960 ph
310 557 3468 fx

www.gursey.com

Independent Auditor's Report

To the Board of Directors
Shelter Partnership, Inc.
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited the accompanying financial statements of Shelter Partnership, Inc. (a California nonprofit public benefit corporation) (the "Partnership"), which comprises the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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

*Accredited in Business Valuation
†Certified in Financial Forensics

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As disclosed in Note 2 to the financial statements, 87% of total revenues are from donated goods and 70% of total assets are from donated inventory on hand. The valuation of these donated goods is subject to estimation. The Partnership estimates the value of donated goods by obtaining estimates of wholesale selling prices provided by the donors, or other indicators of value when donor estimated wholesale values are not provided. The Partnership also undertakes its own research as needed in order to better ascertain fair values. As a result, there is significant judgment and uncertainty in arriving at fair values of contributed goods, and such values materially enter into the determination of net assets and results of activities.

Report on Summarized Comparative Information

The financial statements of the Partnership as of and for the year ended June 30, 2014 were audited by other auditors whose report dated December 4, 2014, expressed a qualified audit opinion on those audited financial statements due to the Partnership not recording donated land and building at fair value. The summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

November 18, 2015
Los Angeles, California

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2015 and 2014

ASSETS

	2015	2014
ASSETS		
Cash and cash equivalents	$ 605,751	$ 711,805
Certificates of deposit	250,000	250,000
Accounts receivable	28,564	20,208
Pledges receivable	211,938	95,846
Donated inventory	18,764,578	19,949,197
Prepaid expenses and other assets	36,852	15,076
Property and equipment, net	6,725,605	7,003,134
TOTAL ASSETS	$ 26,623,288	$ 28,045,266

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 6,115	$ 11,564
Accrued expenses and other liabilities	104,859	84,688
TOTAL LIABILITIES	110,974	96,252
NET ASSETS		
Unrestricted	3,090,339	3,296,676
Temporarily restricted	23,421,975	24,652,338
TOTAL NET ASSETS	26,512,314	27,949,014
TOTAL LIABILITIES AND NET ASSETS	$ 26,623,288	$ 28,045,266

See Accompanying Notes to Financial Statements.

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Activities
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Donated goods	$ -	$ 10,409,789	$ 10,409,789	$ 17,193,525
Foundation contributions	58,669	568,925	627,594	492,900
Individual and corporate contributions	122,538	14,671	137,209	164,750
Government grants	234,091	10,000	244,091	210,092
Special events, net of expense of $79,082 in 2015 and $72,944 in 2014	281,510	-	281,510	280,706
Consulting services	218,937	-	218,937	265,084
Other	1,384	-	1,384	29,745
Subtotal	917,129	11,003,385	11,920,514	18,636,802
Net Assets Released from Restrictions	12,233,748	(12,233,748)	-	-
TOTAL REVENUES AND SUPPORT	13,150,877	(1,230,363)	11,920,514	18,636,802
FUNCTIONAL EXPENSES				
Program services				
Material assistance	12,520,355	-	12,520,355	10,685,353
Public education and policy / technical assistance	452,220	-	452,220	451,505
Total Program Services	12,972,575	-	12,972,575	11,136,858
Supporting services				
General and administrative	133,620	-	133,620	144,436
Fundraising	251,019	-	251,019	250,282
Total Supporting Services	384,639	-	384,639	394,718
TOTAL FUNCTIONAL EXPENSES	13,357,214	-	13,357,214	11,531,576
CHANGES IN NET ASSETS	(206,337)	(1,230,363)	(1,436,700)	7,105,226
NET ASSETS, Beginning of Year	3,296,676	24,652,338	27,949,014	20,843,788
NET ASSETS, End of Year	$ 3,090,339	$ 23,421,975	$ 26,512,314	$ 27,949,014

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services		Supporting Services		Total	Total
	Materials Assistance	Public Education and Policy / Technical Assistance	General and Administrative	Fundraising	2015	2014
Personnel:						
Salaries	$ 346,156	$ 287,953	$ 75,359	$ 152,961	$ 862,429	$ 867,192
Employee benefits	70,565	36,586	13,830	27,795	148,776	95,130
Payroll taxes	41,420	25,645	4,574	13,414	85,053	84,061
Total Personal	458,141	350,184	93,763	194,170	1,096,258	1,046,383
Other Operating Expenses						
Depreciation	299,565	3,373	1,623	2,054	306,615	309,990
Donated goods distributed	11,460,782	-	-	-	11,460,782	9,653,798
Inventory obsolescence	133,625	-	-	-	133,625	105,593
Insurance	19,739	3,852	1,117	1,922	26,630	29,095
K.I.D.S	15,000	-	-	-	15,000	-
Newsletter	-	-	-	5,129	5,129	6,192
Occupancy	56,636	48,602	15,860	26,496	147,594	163,776
Office expense	15,354	7,580	3,258	4,455	30,647	29,220
Other	95	57	7,244	31	7,427	21,640
Postage	1,028	616	201	336	2,181	2,283
Printing	2,408	1,441	470	786	5,105	9,183
Professional fees	16,694	15,937	5,201	8,688	46,520	78,043
Taxes and assessments	12,382	-	-	-	12,382	12,172
Telephone	5,349	4,701	2,262	2,862	15,174	15,282
Training and education	785	2,858	933	1,558	6,134	8,485
Travel	3,376	13,019	1,688	2,532	20,615	19,569
Trucking	5,460	-	-	-	5,460	13,072
Warehousing	13,936	-	-	-	13,936	7,800
Total Other Operating Expenses	12,062,214	102,036	39,857	56,849	12,260,956	10,485,193
TOTAL FUNCTIONAL EXPENSES	$ 12,520,355	$ 452,220	$ 133,620	$ 251,019	$ 13,357,214	$ 11,531,576

See Accompanying Notes to Financial Statements.

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,436,700)	$ 7,105,226
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	306,615	309,990
Noncash contributions received	(1,137)	(16,416)
Proceeds from sale of donated securities	1,065	16,416
Realized/Unrealized loss on investments, net	72	1,677
Receipt of donated inventories	(10,409,789)	(17,193,525)
Distribution of donated inventories	11,460,782	9,653,798
Inventory obsolescence	133,625	105,593
(Increase) decrease in assets:		
Accounts receivable	(8,356)	9,284
Pledges receivable	(116,092)	(42,859)
Prepaid expenses and other assets	(21,776)	(15,076)
Increase (decrease) in liabilities:		
Accounts payable	(5,449)	10,582
Accrued expenses and other liabilities	20,172	(55,009)
NET CASH USED IN OPERATING ACTIVITIES	(76,968)	(110,319)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(29,086)	(9,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(106,054)	(119,819)
CASH AND CASH EQUIVALENTS, Beginning of Year	711,805	831,624
CASH AND CASH EQUIVALENTS, End of Year	$ 605,751	$ 711,805

See Accompanying Notes to Financial Statements.

NOTE 1 – ORGANIZATION

Shelter Partnership, Inc. (the "Partnership") is a non-profit organization collaboratively solving homelessness in Los Angeles County through policy analysis, program design, resource development, and advocacy in support of agencies and local governments that serve the homeless. The Partnership also distributes new goods, at no cost, to community agencies serving the homeless and households in poverty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates – The preparation of financial statements in conformity with GAAP 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.

The most significant estimates related to the valuation of contributed goods and the valuation of inventory on hand. Contributed goods account for 87% of total revenues during the year ended June 30, 2015 and contributed goods in inventory on hand accounted for 70% of total assets at June 30, 2015.

Management relies on the use of judgment in the estimation in determining fair values of contributed goods, and such values materially enter into determination of net assets and results of activities. Management has implemented a number of safeguards that are designed to significantly reduce the risk of donated goods being recorded as overstated (or misstated) amounts. These safeguards are utilized on an ongoing basis and management feels they effectively reduce risk of misstating the financial position.

Classes of Net Assets – To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Partnership are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted - These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

Temporarily Restricted - The Partnership reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires - that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished -temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted **–** These net assets are received by donors who stipulate that resources are to be maintained permanently, but permit the Partnership to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2015 and 2014, the Partnership had no permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

Certificates of Deposit – Certificates of deposit are carried at cost plus accrued interest. This amount approximates fair value. As of June 30, 2015, the certificates of deposit consist of:

Issuer	Face value plus accrued interest	Interest Rate	Maturity Date
OneWest Bank	$ 155,000	0.56%	8/3/2015
OneWest Bank	95,000	0.56%	11/6/2015

Accounts and Pledges Receivable - The Partnership records accounts and pledges receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. No provision has been provided for uncollectible amounts at June 30, 2015, as all amounts are considered to be fully collectible. In addition, accounts and pledges receivable are expected to be collected within one year.

Inventory, Donated Goods, Revenues and Expenses – Inventory/Donated Goods consists of new goods donated by manufacturers, retailers and others, including clothing, shoes, 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 the value recorded at the date of contribution on an item-by-item basis and placed into inventory for distribution. Goods are distributed to independent nonprofit 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 its inventory on an ongoing basis for possible damaged goods and provides for a write off and determines whether a reserve is required. No allowance is provided for damaged or expired goods as such amounts are not material.

Property and Equipment – Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Office equipment	5 years
Vehicles / warehouse equipment	5 years
Warehouse	30 years
Warehouse improvements	5 – 30 years

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. No impairment losses were recorded for the years ended June 30, 2015 and 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Income Taxes – The Partnership is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d 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.

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, 2015 and 2014, the Partnership did not recognize any potential interest and penalties associated with uncertain tax positions. At June 30, 2015, the open tax years for the Partnership were 2011 to 2014.

Contributions and Revenue – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. All gifts and other public support are included in unrestricted net assets unless they are specifically restricted by the terms of the gift or grant instrument or require the passage of time.

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. During the year ended June 30, 2015, the following contributed services met the above criteria, and therefore these services have been recorded at estimated fair value in the accompanying financial statements.

Contributed services		
Legal assistances	$	6,000
Printing		1,676

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to that related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

Fair Value Measurements – The Partnership records its assets and liabilities at fair value. Fair value is defined 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, assets and liabilities are classified 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

The Partnership's cash and cash equivalents and investments are classified within the Level 1 category. At June 30, 2015, the Partnership's other financial instruments such as accounts receivable, pledges receivable, accounts payable, accrued expenses and other liabilities and benefit plans payable, and are all stated at carrying value, which approximate fair value due to the short maturity of these instruments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Concentrations of Credit Risk – *Cash in Excess of FDIC Insured Limits* - Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. The Federal Deposit Insurance Corporation ("FDIC") insures cash deposits up to $250,000 per depositor. At times, cash may exceed the federally insured amounts.

Reclassifications - Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications have had no impact on previously reported changes in net assets.

Subsequent events - Subsequent events have been evaluated through November 18, 2015 which is the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2015	2014
Building and improvements	$ 8,760,273	$ 8,752,343
Construction in process	69,188	49,984
Office equipment	88,449	142,407
Vehicles / warehouse equipment	236,918	234,967
	9,154,828	9,179,701
Accumulated depreciation	(2,429,223)	(2,176,567)
	$ 6,725,605	$ 7,003,134

Depreciation expense for the years ended June 30, 2015 and 2014 was $306,615 and $309,990, respectively.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets were as follows:

	Available at June 30, 2014	Contributions	Released from Restrictions	Available at June 30, 2015
Donated goods	$ 19,949,197	$ 10,409,789	$ (11,594,408)	$ 18,764,578
Donated building	4,394,622	-	(191,070)	4,203,552
Program activities	269,965	577,250	(423,677)	423,538
Building maintenance	38,554	16,346	(24,593)	30,307
	$ 24,652,338	$ 11,003,385	$ (12,233,748)	$ 23,421,975

NOTE 5 – LEASE COMMITMENTS

The Partnership leases its office space under a non-cancelable operating lease agreement that expires on July 31, 2020. The future minimum lease payments are as follows:

Year Ending June 30:		
2016	$	77,484
2017		77,292
2018		79,611
2019		81,999
2020		84,683
Thereafter		7,698
	$	408,767

Rent expense for the years ended June 30, 2015 and 2014, was $104,313 and $105,100, respectively.

NOTE 6 – PROFIT SHARING PLANS

The Partnership offers a 401(k) profit sharing plan (the “401(k) plan”). All employees are eligible to participate in the 401(k) plan if they are twenty-one years of age and have completed 500 hours of service. The 401(k) plan allows employees to defer up to $18,000 of their salary plus a catch-up contribution of $6,000 (for individuals over age 50). The Partnership may make discretionary contributions to the plan. The Partnership contributed $40,530 and $0 for the years ended June 30, 2015 and 2014, respectively.

The Partnership also offers a tax-exempt deferred compensation plan (the “457 plan”) for the executive director. The 457 plan allows for contributions discretionary contributions. For the years ended June 30, 2015 and June 30, 2014, the Partnership contributed $6,500 and $0 to the 457 plan, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, the Partnership received a total of $118,571 and $87,161, respectively, in contributions from board members. Receivables from the board of directors as of June 30, 2015 and 2014 were $8,200 and $6,450, respectively.