



SHELTER, INC.

(A California Nonprofit Public Benefit Corporation)

**COMBINED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SHELTER, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of SHELTER, INC., (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2021, and the related combined 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 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 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 SHELTER, INC.'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 SHELTER, INC. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SHELTER, INC. as of June 30, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 04, 2022, 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 solely 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 effectiveness of SHELTER, INC.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SHELTER, INC.'s internal control over financial reporting and compliance.



Tryna Accountancy Corporation

Oakland, California

March 04, 2022

BASIC FINANCIAL STATEMENTS

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and equivalents | \$ 2,397,015 | \$ 1,500,864 | \$ 3,897,879 |
| Accounts receivables - net | 4,540,221 | - | 4,540,221 |
| Other receivables | 3,300 | - | 3,300 |
| Inventory | 89,694 | - | 89,694 |
| Investments | 4,403 | - | 4,403 |
| Prepaid expenses | 124,509 | - | 124,509 |
| Total current assets | <u>7,159,142</u> | <u>1,500,864</u> | <u>8,660,006</u> |
| Noncurrent assets | | | |
| Investments | 11,597 | 45,629 | 57,226 |
| Restricted deposits | 3,486,509 | - | 3,486,509 |
| Landlord deposits - net | 312,608 | - | 312,608 |
| Property and equipment - net | 5,475,203 | - | 5,475,203 |
| Total noncurrent assets | <u>9,285,917</u> | <u>45,629</u> | <u>9,331,546</u> |
| Total assets | <u>\$ 16,445,059</u> | <u>\$ 1,546,493</u> | <u>\$ 17,991,552</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | \$ 2,074,678 | \$ - | \$ 2,074,678 |
| Deferred revenue | 5,094,095 | - | 5,094,095 |
| Interest payable | 233,337 | - | 233,337 |
| Line of credit | 675,000 | - | 675,000 |
| Lease payable – current | 23,366 | - | 23,366 |
| Notes payable – current | 81,213 | - | 81,213 |
| Total current liabilities | <u>8,181,689</u> | <u>-</u> | <u>8,181,689</u> |
| Noncurrent liabilities | | | |
| Tenant security deposits | 160,321 | - | 160,321 |
| Lease payable – long-term | 12,236 | - | 12,236 |
| Notes payable – long-term | 2,779,339 | - | 2,779,339 |
| Total noncurrent liabilities | <u>2,951,896</u> | <u>-</u> | <u>2,951,896</u> |
| Total liabilities | 11,133,585 | - | 11,133,585 |
| Net assets | | | |
| Without donor restrictions | | | |
| Undesignated | 5,311,474 | - | 5,311,474 |
| With donor restrictions | | | |
| Purpose and time restrictions | - | 1,500,864 | 1,500,864 |
| Permanent restrictions | - | 45,629 | 45,629 |
| Total net assets | <u>5,311,474</u> | <u>1,546,493</u> | <u>6,857,967</u> |
| Total liabilities and net assets | <u>\$ 16,445,059</u> | <u>\$ 1,546,493</u> | <u>\$ 17,991,552</u> |

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)

**COMBINED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Contributions | \$ 1,330,291 | \$ 1,387,812 | \$ 2,718,103 |
| Federal grants | 9,011,335 | - | 9,011,335 |
| Other grants | 7,974,958 | - | 7,974,958 |
| Rental income - net of vacancies | 1,413,034 | - | 1,413,034 |
| Revenue from special events | 181,655 | - | 181,655 |
| Less: cost of special events | (28,797) | - | (28,797) |
| Other income | 1,975,205 | - | 1,975,205 |
| In-kind contribution | 83,959 | - | 83,959 |
| Net assets released from restrictions | 271,683 | (271,683) | - |
| Total operating revenues | <u>22,213,323</u> | <u>1,116,129</u> | <u>23,329,452</u> |
| OPERATING EXPENSES | | | |
| Program service | 18,998,837 | - | 18,998,837 |
| Management and general | 1,360,209 | - | 1,360,209 |
| Fundraising | 674,688 | - | 674,688 |
| Total operating expenses | <u>21,033,734</u> | <u>-</u> | <u>21,033,734</u> |
| Operating income (loss) | <u>1,179,589</u> | <u>1,116,129</u> | <u>2,295,718</u> |
| NONOPERATING INCOME(LOSS) | | | |
| Interest income | 293 | - | 293 |
| Interest expense | (112,584) | - | (112,584) |
| Net realized and unrealized gain(loss) on investments | 1,478 | - | 1,478 |
| Gain (loss) on disposal of property | - | - | - |
| Total nonoperating income (loss) | <u>(110,813)</u> | <u>-</u> | <u>(110,813)</u> |
| Change in net assets | 1,068,776 | 1,116,129 | 2,184,905 |
| Net assets, beginning of year | <u>4,242,697</u> | <u>430,365</u> | <u>4,673,062</u> |
| Net assets, end of year | <u>\$ 5,311,474</u> | <u>\$ 1,546,493</u> | <u>\$ 6,857,967</u> |

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.*(A California Nonprofit Public Benefit Corporation)***COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|-----------------------------|-----------------------------------|--------------------|----------------------|
| Wages and salaries | \$ 6,594,918 | \$ 355,036 | \$ 425,536 | \$ 7,375,490 |
| Payroll taxes | 551,150 | 35,017 | 40,294 | 626,461 |
| Employee benefits | 642,593 | 25,648 | 32,250 | 700,491 |
| Retirement plan | - | 62,738 | - | 62,738 |
| Workers' compensation | 23,114 | 254,843 | 923 | 278,880 |
| Rent and other client assistance | 9,864,364 | 3,378 | - | 9,867,742 |
| Repairs and maintenance | 319,042 | 27,200 | - | 346,242 |
| In-kind donation expenses | - | - | 85,226 | 85,226 |
| Conference cost | 62,731 | 49,211 | 2,346 | 114,288 |
| Legal fees | 11,377 | 756 | - | 12,133 |
| Accounting fees | 44,049 | 26,965 | - | 71,014 |
| Other professional fees | 94,253 | 106,680 | 11,581 | 212,514 |
| Office expenses | 356,445 | 184,570 | 74,141 | 615,156 |
| Occupancy expenses | 233,660 | 35,005 | 2,291 | 270,956 |
| Homeowners' dues | - | 67,500 | - | 67,500 |
| Insurance | 83,013 | 54,138 | 100 | 137,251 |
| Taxes and licenses | 757 | 1,603 | - | 2,360 |
| Bad debt expenses | 25,790 | 509 | - | 26,299 |
| Depreciation and amortization | 91,581 | 69,412 | - | 160,993 |
| Total operating expenses | <u>18,998,837</u> | <u>1,360,209</u> | <u>674,688</u> | <u>21,033,734</u> |
| Interest | 27,365 | 85,219 | - | 112,584 |
| Cost of special events | 9,688 | 1,311 | 17,798 | 28,797 |
| Total expenses | <u>\$ 19,035,890</u> | <u>\$ 1,446,739</u> | <u>\$ 692,486</u> | <u>\$ 21,175,115</u> |

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities

| | | |
|---|----|------------------|
| Change in net assets | \$ | 2,184,905 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | | 160,993 |
| Unrealized (gain) loss on investments | | (1,478) |
| Forgiveness of mortgage payable | | (12,161) |
| (Increase) decrease in assets: | | |
| Accounts receivable | | (1,899,417) |
| Other receivables | | 67,928 |
| Inventory | | (25,251) |
| Prepaid expenses and other assets | | 19,310 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | | 770,584 |
| Interest payable | | 1,762 |
| Deferred revenue | | 4,146,922 |
| Net cash provided by (used in) in operating activities | | <u>5,414,097</u> |

Cash flows from investing activities

| | | |
|---|--|--------------------|
| Purchase of investment | | (5,243) |
| Proceeds from sale and maturities of investments | | 5,229 |
| Purchase, net of disposal of property and equipment | | (793,294) |
| Net (increase) decrease in restricted deposits | | (3,333,749) |
| Net (increase) decrease in other deposits | | (138,425) |
| Net cash provided by (used in) investing activities | | <u>(4,265,482)</u> |

Cash flows from financing activities

| | | |
|---|--|----------------|
| Receipt of line of credit | | 1,525,000 |
| Payment of line of credit | | (850,500) |
| Payment of lease payable | | (21,440) |
| Payment of notes payable | | (23,218) |
| Net cash provided by (used in) financing activities | | <u>629,842</u> |
| Increase (decrease) in cash | | 1,778,457 |

Cash and equivalents, beginning of year

| | |
|--|-----------|
| Unrestricted cash and cash equivalents | 1,734,687 |
| Restricted cash and cash equivalents | 384,735 |

Total cash and equivalents, beginning of year 2,119,422

Cash and equivalents, end of year

| | |
|--|-----------|
| Unrestricted cash and cash equivalents | 2,397,015 |
| Restricted cash and cash equivalents | 1,500,864 |

Total cash and equivalents, end of year \$ 3,897,879

Supplemental information: noncash investing activities

| | | |
|---------------|----|---------|
| Interest paid | \$ | 110,822 |
|---------------|----|---------|

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Note 1. Nature of activities and summary of significant accounting policies

Nature of Activities

SHELTER, INC. was incorporated as a California nonprofit public benefit corporation on November 17, 1986. The Board of Supervisors' Contra Costa County Task Force on Homelessness created SHELTER, INC. and it serves as the primary service agency for homeless individuals and families in Contra Costa County, California. The mission of SHELTER, INC. is to prevent and end homelessness among low-income residents of Contra Costa County by providing resources that lead to self-sufficiency.

SHELTER, INC.'s work encompasses three main elements:

- **Preventing Homelessness:** Prevention is a cost-effective and humane strategy for addressing the needs of families and individuals who are at-risk of homelessness, usually as a result of an unexpected event which temporarily makes them unable to meet their rent obligations. Depending on their level of risk, households are offered individualized financial assistance either on a one-time basis referred to other short term programs (typically 3 to 12 months) to provide them increasing support as they stabilize their housing and develop resources for greater financial self-sufficiency.
- **Ending the Cycle of Homelessness:** SHELTER, INC. provides homeless families and individuals with interim and permanent housing opportunities and services to help them regain housing and increased self-sufficiency. This Housing First approach is designed to help reduce the incidences and duration of homelessness for low-income and disadvantaged people who are eligible under a variety of publicly-funded housing programs. Services that are critical to success include one-on-one case management, housing search assistance, employment services, education, mental health counseling, and budgeting guidance.
- **Providing Affordable Housing:** Affordable housing means having a safe place to live at a price you can afford. It currently takes 4.5 full-time minimum wage jobs to afford a two-bedroom apartment in Contra Costa County. SHELTER, Inc. owns and master leases units that offer safe, quality rental units at affordable rents or which are subsidized for eligible program participants to increase the stock of units accessible to vulnerable families and individuals.

Principles of Consolidation

The combined financial statements include the activities of three commonly controlled not-for-profit entities namely, Affordable Housing Association of Pittsburg (AHAP), New Century Center (NCC) and Shelter Solano, Inc. (SSI). All material intercompany balances and transactions have been eliminated from the combined financial statements.

See independent auditor's report and accompanying notes to financial statements.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Adopted Accounting Pronouncement

During the year ended June 30, 2020, SHELTER, INC. implemented the following accounting pronouncements: ASU No. 2014-09, *Revenue from Contracts with Customers*, and ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*.

Analysis of various provisions of the standards resulted in no significant changes in the way SHELTER, INC. recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with these standards.

Net Assets

Financial statement presentation follows the requirement of the Financial Accounting Standard Board. SHELTER, INC. is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

SHELTER, INC. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

Not included as cash are funds restricted as to their use, regardless of liquidity, such as security deposits, replacement reserves, operating reserves residual receipts and mortgage impound deposits.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Investments

Investments are carried at their fair values based on quoted prices in active markets in the Statement of Financial Position. Investments in mutual funds are valued based on the underlying assets in the funds. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investments in real estate properties held for future sale are reported at cost which includes acquisition cost and improvement costs.

Fair Value of Financial Instruments

SHELTER, INC. adopted the provisions for fair value measurements contained in the Accounting Standards Codification *ASC 820*, Fair Value Measurements and Disclosures. This standard applies to financial instruments and defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).”

The standard establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. *ASC 820*, among other things, requires to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value.

Fair Value Hierarchy

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flows models and similar techniques.

Inventory

Inventory consists of donated goods and is stated at cost which is the fair market value at the time of acquisition.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. SHELTER, INC. uses the allowance method to determine uncollectible receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. SHELTER, INC. charges off uncollectible contributions receivable when management determines amounts are not collectible. Allowance for doubtful accounts as of June 30, 2021 was \$41,698.

Property, Equipment and Deferred Costs

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets.

Deferred costs are incurred in order to obtain permanent financing for the purchase of certain properties. Deferred costs are stated at cost and amortized on a straight-line basis.

The useful lives of the assets are estimated as follows:

| | |
|-------------------------|----------------|
| Buildings | 30 to 40 years |
| Building improvements | 10 to 30 years |
| Furniture and equipment | 5 to 10 years |
| Deferred costs | 10 to 30 years |

SHELTER, INC. reviews its investments in property for impairment whenever events or changes in circumstances indicate that the carrying value of any of their properties may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property.

Income Taxes

SHELTER, INC. is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701 (d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended June 30, 2021.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Revenue Recognition

SHELTER, INC. recognizes revenue on the accrual basis of accounting. Service income is recognized as revenue in the period in which the service is provided. Grants are recognized as revenue in the period in which they are awarded in writing, if not conditional. SHELTER, INC.'s primary revenue sources are contracts, grants, donations, and service income.

SHELTER, INC. recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2021, contributions approximating \$17,837,700, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The total conditional contribution is contingent upon appropriate use of funds.

Contributions restricted for the purchase of long-lived assets are reported as contributions without donor restrictions when expended for that purpose.

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restrictions.

Forgivable loans are amortized over the period of the loan and the portion of the debt forgiven each year is recognized as income.

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the management estimate. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of SHELTER, INC. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which SHELTER, INC. delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best management's estimate.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report and accompanying notes to financial statements.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2021:

| | | |
|----------------------------|----|-------------------------|
| Petty cash | \$ | 1,958 |
| Cash in bank | | <u>3,895,921</u> |
| Total cash and equivalents | \$ | <u><u>3,897,879</u></u> |

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Financial instruments that potentially subject SHELTER, INC. to concentrations of credit risk consist of cash deposits and investments.

At times, a portion of the cash balances may not be insured by (FDIC). The FDIC insures cash balances held in banks up to \$250,000 for each bank. The potential concentration of credit risk pertaining to cash balances will vary throughout the year depending upon the level of cash deposits versus amounts insured. As of June 30, 2021, deposits in amount of \$6,803,106 were not FDIC insured.

Note 3. Liquidity and Availability of Financial Assets

The following reflects SHELTER, INC.'s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | | |
|---|----|-------------------------|
| Cash and cash equivalents | \$ | 3,897,879 |
| Accounts receivables | | 4,540,221 |
| Other receivables | | 3,300 |
| Short-term investments | | 4,403 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Restricted by donor with time or purpose restrictions | | <u>(1,500,864)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | \$ | <u><u>6,944,939</u></u> |

\$6,944,939 of financial assets are available to cover SHELTER, INC.'s liquidity needs. SHELTER, INC. has a goal to maintain sufficient financial assets on hands, which consists of cash and cash equivalents, receivables, and short-term investments, to meet the goal of next fiscal year's projected management and fundraising expenses, which are expected to be \$2,139,225. SHELTER, INC.'s program activity is primary funded by expense reimbursement contracts. Based on projected estimate, SHELTER, INC. has sufficient liquid assets to cover its current liabilities.

Note 4. Line of Credit

SHELTER, INC. had an open line of credit with Bank of the West amounting to \$700,000 that was utilized during the year. As of June 30, 2021, the balance in the line of credit was \$675,000.

Note 5. Operating Leases

For the year ended June 30, 2021, SHELTER, INC. has three long term operating leases.

Hour Projects Lease: SHELTER, INC. leased a premise from Hour Projects located at 1125 Missouri St. Suite 109, Fairfield CA, 94533. The term of the lease is from April 15, 2019 to December 31, 2024. Lease expenses for the year ended June 30, 2021 is \$14,900.

Pacific Office Automation: SHELTER, INC. leased printing machine from Pacific Office Automation with monthly rental payment of \$892 on December 27, 2018. The term of the lease is 60 months, expired on December 31, 2023. Lease expenses for the year ended June 30, 2021 is \$10,704.

Pitney Bowes Lease: On June 11, 2018, SHELTER, INC. entered into a lease agreement with Pitney Bowes to lease equipment for postage with a monthly payment of \$121. The term of the lease is 51 months. Rent expenses for the year ended June 30, 2021 is \$1,452.

Future minimum lease payments for long-term operating leases are as follow:

| <u>For the year ending June 30,</u> | |
|-------------------------------------|-------------------------|
| 2022 | \$ 27,756 |
| 2023 | 21,565 |
| 2024 | <u>13,300</u> |
| Total | \$ <u><u>62,621</u></u> |

Note 6. Lease Payable

SHELTER, INC. leases a phone system under leases classified as capital lease. The following is a schedule showing the future minimum capital lease payment by years and the present value of the minimum lease payments as of June 30, 2021. The interest rate related to the lease obligation is 7.55 percent, and the maturity date is February 15, 2023.

| <u>For the year ending June 30,</u> | |
|---|-------------------------|
| 2022 | \$ 24,993 |
| 2023 | <u>12,497</u> |
| Total minimum lease payments | 37,490 |
| Less amount representing interest | <u>(2,139)</u> |
| Present value of minimum lease payments | \$ <u><u>35,351</u></u> |

At June 30, 2021, the present value of minimum lease payments due within one year is \$23,115.

Note 7. Special Event

SHELTER, INC. had one fundraising event, Unite for SHELTER during the year ended June 30, 2021. The revenue for the event was derived from selling individual tickets and sponsorship. The income and expenses for the event were as follows:

| | | |
|------------------------------------|----|-----------------------|
| Unite for SHELTER revenue | \$ | 181,655 |
| Cost of fundraising events | | <u>(28,797)</u> |
| Net income from fundraising events | \$ | <u><u>152,858</u></u> |

Note 8. Property and Equipment

Property and equipment as of June 30, 2021 is summarized as follows:

| | | |
|------------------------------------|----|-------------------------|
| Land | \$ | 1,496,949 |
| Construction in progress | | 838,976 |
| Building and improvement | | 5,172,303 |
| Furniture and equipment | | 351,055 |
| Vehicles | | <u>37,781</u> |
| Less accumulated depreciation | | <u>(2,421,861)</u> |
| Total property and equipment - net | \$ | <u><u>5,475,203</u></u> |

Land, and building and improvements consist principally of condominiums, multifamily apartments, and one commercial office building.

The depreciation expense for the year ended June 30, 2021 was \$160,993.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30, 2021 is as follows:

| <u>Purpose</u> | <u>June 30, 2020</u> | <u>Additions</u> | <u>Released</u> | <u>June 30, 2021</u> |
|---------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Mountain View House | \$ 114,080 | \$ 222,458 | \$ (55,416) | \$ 281,122 |
| Supportive Housing | 30,450 | - | (12,046) | 18,404 |
| General Prevention | 169,855 | 183,824 | (202,005) | 151,674 |
| Adopt-A-Family | 3,900 | 29,302 | (2,216) | 30,986 |
| COVID related | - | 772,478 | - | 772,478 |
| Employment Services | - | 153,500 | - | 153,500 |
| Other | <u>66,450</u> | <u>26,250</u> | <u>-</u> | <u>92,700</u> |
| Total | \$ <u><u>384,735</u></u> | \$ <u><u>1,387,812</u></u> | \$ <u><u>(271,683)</u></u> | \$ <u><u>1,500,864</u></u> |

See independent auditor's report and accompanying notes to financial statements.

Note 10. Investments

Investments consisted of the following at June 30, 2021:

| | | |
|------------------------|----|----------------------|
| Short-term investments | \$ | 4,403 |
| Long-term investments | | <u>57,226</u> |
| Total investments | \$ | <u><u>61,629</u></u> |

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

Fair value measurements at reporting date
using quoted prices

| | <u>Fair value</u> | In active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---------------------------|-------------------------|--|---|--|
| Sweep balances | \$ 57,226 | \$ 57,226 | \$ - | \$ - |
| Fixed income mutual funds | - | - | - | - |
| Equity mutual funds | <u>4,403</u> | <u>4,403</u> | - | - |
| Total investments | \$ <u><u>61,629</u></u> | \$ <u><u>61,629</u></u> | \$ - | \$ - |

All assets have been valued using a market approach. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. There were no changes in the valuation techniques and related inputs.

The following schedule summarizes the investment return in the statement of activities:

| | |
|---|---------------------|
| Unrealized gain (loss) on investments | \$ 1,478 |
| Realized gain (loss) on sale of investments | - |
| Interest and dividend income | <u>24</u> |
| Total investment return | \$ <u>1,502</u> |
| Interest on bank accounts | <u>269</u> |
| Total investments and interest return | <u><u>1,771</u></u> |

Endowment Investment

SHELTER, INC.'s endowment consists of an individual fund established for a variety of purposes. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment fund is permanently restricted at \$45,629 for the year ended June 30, 2021.

See independent auditor's report and accompanying notes to financial statements.

Note 10. Investments (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The endowment fund has been created with the purpose of moving the organization toward self-sufficiency. To this end, the investment objectives are to protect the fund corpus, provide current income to meet service needs, and allow for capital appreciation of the fund. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds investing in equity and debt securities.

Spending Policy. SHELTER, INC. does not have a specific policy of appropriating the net appreciation for endowments. SHELTER, INC.'S executive committee meets periodically and decides whether or not any earnings will be distributed.

Note 11. Commitments and Contingencies

SHELTER, INC. has elected to be self-insured for state unemployment claims. Under this method, the State of California bills SHELTER, INC. on a quarterly basis for all the claims paid on behalf of SHELTER, INC. Management estimated future liability for unemployment claims as of June 30, 2021 to be \$102,407.

SHELTER, INC. receives various support and revenue that are subject to compliance with the requirements and regulations of these grantors. The management believes that it has substantially complied with these requirements and regulations.

SHELTER, INC. is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding, public support, and contributions. Its continued growth and well-being is contingent upon successful achievement of its long-term revenue-raising goals.

Note 12. Notes Payable

Notes payable are secured by the property unless otherwise noted and consist of the following:

| | <u>Interest Payable</u> | <u>Principal</u> |
|--|-----------------------------|------------------|
| <u>NCC</u> Sun West Mortgage, in the original amount of \$304,200, insured by HUD. The loan bears interest at 8.25% per annum and requires monthly payments of \$2,285. The mortgage matures on August 1, 2029. Interest expense for the year ended June 30, 2021 was \$12,744. | \$ 99 | \$ 162,563 |
| City of Concord, in the original amount of \$381,500 bears no interest and requires annual payments of 100% of residual receipts are due through 2034. ⁽²⁾ | - | 379,391 |
| Contra Costa County HOPWA loan bears no interest and is expected to be forgiven at end of 36-year term. Debt forgiveness recognized for the year ended June 30, 2021 was \$5,945. ⁽¹⁾ | - | 83,222 |

See independent auditor's report and accompanying notes to financial statements.

Note 12. Notes Payable (Continued)

| | <u>Interest Payable</u> | <u>Principal</u> |
|---|-----------------------------|------------------|
| <u>Landings</u> | | |
| Contra Costa County HOPWA loan, in the original amount of \$200,000 and bears 3% interest. Debt is forgivable after 60 years thus, debt forgiveness is recorded over the period of the loan for 60 years and interest is not accrued. Debt forgiveness recognized was \$3,333 for the year ended June 30, 2021. ⁽¹⁾ | \$ - | \$ 110,556 |
| Contra Costa County HOME loan, in the original amount of \$125,030. The loan bears no interest and requires payment upon maturity on December 2034. | - | 125,030 |
| <u>Next Step</u> | | |
| Contra Costa County CDBG loan, in the original amount of \$134,100. The loan bears no interest, originally matures in May 2038 and can be extended up to May 2058. The loan is expected to be forgiven at the end of the 60-year term. Debt forgiveness recognized was \$2,235 for the year ended June 30, 2021. ⁽¹⁾ | - | 82,321 |
| Contra Costa County CDBG loan, in the original amount of \$32,400 and bears 3% interest. The loan originally matures in July 2043 and can be extended up to July 2053. The loan is expected to be forgiven at the end of the 50-year term. Debt forgiveness recognized was \$648 for the year ended June 30, 2021. ⁽¹⁾ | - | 21,060 |
| <u>Sunset Apartments</u> | | |
| Department of Housing and Community Development, 30-year note in the original amount of \$94,975, bears 3% interest per annum and matures in September 2026. Interest expense the year ended June 30, 2021 was \$2,897. ⁽¹⁾ | 71,540 | 94,975 |
| <u>Mary McGovern House</u> | | |
| Department of Housing and Community Development, in the original amount of \$200,000, bears interest at 3% and matures in June 2026. Interest expense the year ended June 30, 2021 was \$6,083. | 144,080 | 200,000 |
| <u>Barrett Street Apartments</u> | | |
| JP Morgan Chase, in the original amount of \$221,550. The loan bears interest at 7.15% per annum and requires monthly payment of \$1,496 through maturity on December 1, 2032. Interest expense for the year ended June 30, 2021 was \$10,299. | - | 140,259 |

See independent auditor's report and accompanying notes to financial statements.

Note 12. Notes Payable (Continued)

| | <u>Interest Payable</u> | <u>Principal</u> |
|---|-----------------------------|---------------------|
| <u>1333 Willow Pass Road</u> | | |
| City National Bank, in the original amount of \$1,500,000. The loan bears interest at 4.5% per annum and requires monthly payments of \$8,393. Interest expense for the year ended June 30, 2021 was \$58,593. | \$ 5,049 | \$ 1,260,078 |
| HERO Program, in the original amount of \$210,000. The loan bears interest at 6.25% per annum and requires annual installments of \$27,647 to be paid through their property tax bill. Interest expense for the year ended June 30, 2021 was \$13,455.53. | 12,569 | 201,097 |
| Totals | <u>233,337</u> | <u>2,860,552</u> |
| Less: current portion | <u>(17,717)</u> | <u>(81,213)</u> |
| Long term portion | \$ <u>215,620</u> | \$ <u>2,779,339</u> |

⁽¹⁾These loans are expected to be forgiven at the end of the term provided that the SHELTER, INC. operates the property in compliance with the agreements. It is management's intent to comply with these restrictions throughout the term of the loan and accordingly accrues forgiveness, using straight-line method over the entire term of mortgage and reports mortgage payable balance net of forgiveness. The amounts of loan reported are stated net of the amounts forgiven which as of June 30, 2021 was \$384,316.

⁽²⁾The loan with balance of \$379,391 is from the City of Concord to NCC. In accordance with the loan provisions, the nature of NCC's operation is such that NCC does not expect to make payments on this loan for the foreseeable future.

Principal payments on notes payable for the next five years, excluding those expected to be forgiven, are subject to changes in net cash flow and are estimated as follows:

| <u>For the year ending June 30,</u> | | |
|-------------------------------------|----|------------------|
| 2022 | \$ | 81,246 |
| 2023 | | 86,064 |
| 2024 | | 91,043 |
| 2025 | | 96,630 |
| 2026 | | 102,427 |
| Thereafter | | <u>1,726,592</u> |
| Total | \$ | <u>2,184,002</u> |

See independent auditor's report and accompanying notes to financial statements.

Note 13. Restricted Deposits

Restricted deposits for the year ended June 30, 2021 consist of the following:

Mortgage escrow deposits:

| | | |
|---------------------------------|----|-------|
| Insurance – Victoria Apartments | \$ | 3,849 |
|---------------------------------|----|-------|

Replacement reserves:

| | |
|--------------------------|--------|
| Victoria Apartments | 74,659 |
| Mary McGovern House | 12,307 |
| Barret Street Apartments | 21,506 |
| Sunset Apartments | 277 |

Operating reserves:

| | |
|---------------------|-------|
| Mary McGovern House | 6,265 |
| Sunset Apartments | 20 |

Residual receipts:

| | |
|---------------------|--------|
| Victoria Apartments | 15,622 |
|---------------------|--------|

Security deposits:

| | |
|---------------------------------|---------|
| Victoria Apartments | 9,101 |
| Santa Fe Property | 4,622 |
| SHELTER Inc. (Various Programs) | 124,300 |

Cash with third-party restrictions

| | |
|-----------|------------------|
| Landing | 30,832 |
| COVID-CCC | <u>3,183,149</u> |

| | | |
|-------|----|-------------------------|
| Total | \$ | <u><u>3,486,509</u></u> |
|-------|----|-------------------------|

Replacement Reserve

SHELTER, INC. is required to maintain reserves for replacements and repair of property and equipment in accordance with various regulatory agreements.

Operating Reserve

SHELTER, INC. is required to maintain operating reserves in accordance with the lenders' regulatory agreements.

Residual Receipts

SHELTER, INC. is required to deposit surplus cash, as defined by HUD, into a separate bank account in accordance with the HUD regulatory agreement. Withdrawals from the account are subject to approval by HUD.

Security Deposits

In accordance with HUD regulations, and other regulatory agreements, SHELTER, INC. is required to maintain funds equal to or in excess of the related liability for tenant security deposits in a separate bank account in the name of SHELTER, INC.

Note 14. Donated Services and Other In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the year ended June 30, 2021, SHELTER, INC. received a significant amount of donated services from unpaid volunteers who assist in fundraising event setup and other program related services that do not satisfy the criteria for recognition under *FASB ASC 958-605-25-16*.

The management estimated that SHELTER, INC. received about 2,175 hours from 197 volunteers.

In-kind contributions mainly consist of donated goods and services for various SHELTER, INC. programs.

For the year ended June 30, 2021, SHELTER, INC. received \$83,959 in donated goods as in-kind contribution.

Note 15. Subsequent Events

In accordance with ASC 855, Subsequent Events topic, SHELTER, INC. evaluated subsequent events for recognition and disclosure through March 04, 2022, the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in such financial statements.

SUPPLEMENTARY INFORMATION

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.

(A California Nonprofit Public Benefit Corporation)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal Assistance Listing (AL) Number | Agency or Pass-Through Number | Award Passed Through to Subrecipient | Current Federal Expenditures |
|---|--|--|--------------------------------------|------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Community Development Block Grant: * | | | | |
| <i>Pass-through awards</i> | | | | |
| CDBG Contra Costa County | 14.218 | Contra Costa County | \$ - | \$ 490,235 |
| CDBG Antioch | 14.218 | City of Antioch | - | 110,256 |
| CDBG Fairfield | 14.218 | City of Fairfield | - | 138,343 |
| CDBG Concord | 14.218 | City of Concord | - | 40,010 |
| CDBG Pittsburg | 14.218 | City of Pittsburg | - | 280,807 |
| CDBG Walnut Creek | 14.218 | City of Walnut Creek | - | 40,235 |
| Total Community Development Block Grant | | | - | 1,099,886 |
| Emergency Solutions Grant Program: * | | | | |
| <i>Pass-through awards</i> | | | | |
| Federal Emergency Solutions Grant | 14.231 | Contra Costa County | - | 235,110 |
| River District Shelter – Sacramento | 14.231 | City of Sacramento | - | 855,826 |
| Federal Emergency Solutions Grant | 14.231 | Department of Housing and Community Development | - | 117,305 |
| Project Roomkey | 14.231 | Community Action Partnership Solano, JPA | - | 1,179,783 |
| Total Emergency Solutions Grant Program | | | - | 2,388,024 |
| Continuum of Care Program: | | | | |
| <i>Direct awards</i> | | | | |
| Permanent Step | 14.267 | | - | 23,795 |
| Project Thrive | 14.267 | | - | 537,879 |

See independent auditor's report and accompanying notes to financial statements.

| | | | | |
|---|--------|---|---|-----------|
| Reach Family Rapid Rehousing | 14.267 | | - | 439,469 |
| Turningpoint Housing Program | 14.267 | | - | 626,437 |
| Esperanza | 14.267 | | - | 279,357 |
| Aspire | 14.267 | | - | 33,196 |
| <i>Pass-through awards</i> | | | | |
| Destination Home | 14.267 | Contra Costa County | - | 556,101 |
| | | Satellite Affordable Housing | | |
| Tabora Gardens | 14.267 | Associate | - | 120,930 |
| Total Continuum of Care Program | | | - | 2,617,164 |
| Total U.S. Department of Housing and Urban Development | | | - | 6,105,074 |
| <u>U.S. Department of the Treasury</u> | | | | |
| Coronavirus State and Local Fiscal Recovery Funds: * | | | | |
| <i>Pass-through awards</i> | | | | |
| Project Roomkey | 21.027 | Community Action Partnership Solano, JPA | - | 1,092,064 |
| Total Coronavirus State and Local Fiscal Recovery Funds | | | - | 1,092,064 |
| Total U.S. Department of the Treasury | | | - | 1,092,064 |
| <u>U.S. Department of Veteran Affairs</u> | | | | |
| Supportive Services for Veteran Families Program | | | | |
| <i>Direct awards</i> | | | | |
| Supportive Services for Veteran Families | 64.033 | | - | 1,496,654 |
| Total Supportive Services for Veteran Families Program | | | - | 1,496,654 |
| Grant and Per Diem Program | | | | |
| <i>Direct awards</i> | | | | |
| Healthcare for Homeless Veterans Program | 64.024 | | - | 234,935 |
| Total Grant and Per Diem Program | | | - | 234,935 |
| Total U.S. Department of Veteran Affairs | | | - | 1,731,589 |

See independent auditor's report and accompanying notes to financial statements.

U.S. Department of Health and Human Services

Community Services Block Grant

Pass-through awards

| | | | | |
|--------------------------------------|--------|---|---|---------------|
| CSBG Mountain View | 93.569 | Contra Costa County | - | 37,423 |
| Project Roomkey | 93.569 | Community Action Partnership Solano, JPA | - | 20,185 |
| Total Community Services Block Grant | | | - | <u>57,608</u> |

Total U.S. Department of Health and Human Services

- 57,608

U.S. Department of Homeland Security

Emergency Food and Shelter National Board Program

Pass-through awards

| | | | | |
|---|--------|----------------------------|---|---------------|
| EFSP Sacramento | 97.024 | United Way of the Bay Area | - | 25,000 |
| Total Emergency Food and Shelter National Board Program | | | - | <u>25,000</u> |

Total U.S. Department of Homeland Security

- 25,000

Total Federal Awards

\$ - \$ 9,011,335

** Tested as a major program*

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of SHELTER, INC. under programs of the federal government for the year ended June 30, 2021 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule of expenditures of federal awards presents only a selected portion of the operations of SHELTER, INC. it is not intended to and does not present the financial position, change in net assets or cash flows of SHELTER, INC.

Note 2. Program Cost

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the City, State and County portion, are more than shown.

Note 3. Indirect Cost Rate

SHELTER, INC. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Prior Year's Federal Loans

The schedule below provides information regarding balances of loans for which continuing compliance is required.

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (LOAN BALANCES)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | Federal Assistance Listing (AL) Number | Agency or Pass-Through Number | Loan Balances June 30, 2021 |
|---|--|---|-----------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <u>New Century Center</u> | | | |
| <i>Pass-through awards</i> | | | |
| Section 223(f)/207 mortgage insurance for the purchase of existing multifamily housing projects | 14.155 | Contra Costa County | \$ 162,563 |
| Housing Opportunities for Persons with AIDS: | 14.241 | Contra Costa County | <u>214,000</u> |
| | | | <u>376,563</u> |
| <u>SHELTER, Inc.</u> | | | |
| <u>Supportive Housing Program</u> | | | |
| <i>Pass-through awards</i> | | | |
| Permanent Housing for Handicapped Homeless Program - Sunset | 14.235 | Department of Housing and Community Development | 94,975 |
| <u>Community Development Block Grant</u> | | | |
| <i>Pass-through awards</i> | | | |
| Community Development Loan for Next Step | 14.218 | Contra Costa County | 82,321 |
| Community Development Rehab Loan for Next Step | 14.218 | Contra Costa County | 21,060 |
| <u>Housing Opportunities for Persons with AIDS</u> | | | |
| <i>Pass-through awards</i> | | | |
| Housing Opportunities for persons with AIDS HOPWA loan for Landings | 14.241 | Contra Costa County | 110,556 |
| Home Investment Partnerships Program HOME loan for Landings | 14.239 | Contra Costa County | <u>125,030</u> |
| | | | <u>433,942</u> |
| Total Federal Loans | | | <u>\$ 810,505</u> |

See independent auditor's report and accompanying notes to financial statements.

OTHER AUDITOR'S REPORTS

See independent auditor's report and accompanying notes to financial statements.



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INDEPENDENT AUDITOR'S 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.

We have audited, 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, the financial statements of (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2021, and related combined statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 04, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SHELTER, INC.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SHELTER, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of SHELTER, Inc's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tryna Accountancy Corporation

Oakland, California

March 04, 2022



1000 Broadway #200G, Oakland, CA 94607 | (510) 467-9506 | io@irynacpa.com | www.irynacpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
SHELTER, INC.

Report on Compliance for Each Major Federal Program

We have audited SHELTER, INC.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SHELTER, INC.'s major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SHELTER, INC.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of SHELTER, INC.'s compliance.

Opinion on Each Major Federal Program

In our opinion, SHELTER, INC. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of SHELTER, INC. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SHELTER, INC.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Tryna Accountancy Corporation

Oakland, California

March 04, 2022

FINDINGS AND RECOMMENDATIONS

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are
not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant Deficiencies identified that are
not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors’ report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
Uniformed Guidance? _____ Yes X No

Identification of Major Programs

| <u>Federal AL Number</u> | <u>Name of Federal Program or Cluster</u> |
|---|---|
| 14.218 | Community Development Block Grant |
| 14.231 | Emergency Solutions Grant Program |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| Dollar threshold used to distinguish between type A and type B programs: \$ <u> 750,000</u> | |

See independent auditor's report and accompanying notes to financial statements.

SHELTER, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Auditee qualified as low-risk auditee? X Yes No

SECTION II—FINANCIAL STATEMENT FINDINGS

No findings.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SECTION IV—STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.

IRYNA ACCOUNTANCY CORPORATION

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See independent auditor's report and accompanying notes to financial statements