



SHELTERCARE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2020 and 2019



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INTRODUCTORY SECTION

SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2020

OFFICERS

President	Melinda Grier
Vice President	Dr. Tom Harburg
Secretary	Jacob Fox
Past President	Eric Van Houten

MEMBERS

Chris Cunningham
Dr. David DeHaas
Gerry Gaydos
Priscilla Gould
Rebekah Lambert
Chris Page
Sujata Sanghvi
Sandy Scheetz
Brad Smith
DeLeesa Meashintubby
Juan Carlos Valle

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The Right People Beside You.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ShelterCare and subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 26, 2021, on our consideration of ShelterCare and subsidiary'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 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 ShelterCare and subsidiary's internal control over financial reporting and compliance.



Jones & Roth, P.C.
Eugene, Oregon
January 26, 2021

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<i>Restated</i> <u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,499,678	\$ 619,365
Receivables:		
Grants and contracts receivable, net of allowance of \$225 for 2020 and \$730 for 2019	411,328	565,346
Program services receivable, net of allowance of \$7,789 for 2020 and \$25,392 for 2019	69,104	228,534
Pledges receivable, current portion	5,000	-
Prepaid expenses and deposits	<u>164,740</u>	<u>186,235</u>
Total current assets	<u>2,149,850</u>	<u>1,599,480</u>
Property and equipment, net	<u>3,974,149</u>	<u>4,044,737</u>
Other assets		
Pledges receivable, net of current portion	5,000	-
Interest in net assets of ShelterCare Foundation	<u>751,386</u>	<u>3,944,737</u>
Total other assets	<u>756,386</u>	<u>3,944,737</u>
Total assets	<u>\$ 6,880,385</u>	<u>\$ 9,588,954</u>

	<u>2020</u>	<i>Restated</i> <u>2019</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 42,426	\$ 74,153
Payroll and related accruals	184,717	203,266
Accrued vacation	132,760	136,160
Client deposits payable	3,554	3,403
Contract overpayment liability	647,879	563,547
Accrued interest payable	2,053	23,541
Line of credit	138,000	-
Current portion of long-term debt	<u>46,411</u>	<u>43,842</u>
Total current liabilities	<u>1,197,800</u>	<u>1,047,912</u>
Long-term liabilities		
Paycheck Protection Program loan	913,435	-
Long-term debt, net of current portion and unamortized deferred financing costs	<u>1,217,782</u>	<u>4,948,911</u>
Total long-term liabilities	<u>2,131,217</u>	<u>4,948,911</u>
Total liabilities	<u>3,329,017</u>	<u>5,996,823</u>
Net assets		
Net assets without donor restrictions	3,069,640	2,866,917
Net assets with donor restrictions	<u>481,728</u>	<u>725,214</u>
Total net assets	<u>3,551,368</u>	<u>3,592,131</u>
Total liabilities and net assets	<u>\$ 6,880,385</u>	<u>\$ 9,588,954</u>

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Federal assistance	\$ 1,369,405	\$ -	\$ 1,369,405
State and local assistance	2,191,809	-	2,191,809
United Way	48,126	-	48,126
Grants and contributions	1,658,473	471,268	2,129,741
In-kind contributions	139,284	-	139,284
Program service revenue	1,946,210	-	1,946,210
Change in interest in net assets of ShelterCare Foundation	(17,639)	-	(17,639)
Interest income	716	-	716
Other income	85,438	-	85,438
Net assets released from restrictions	<u>714,754</u>	<u>(714,754)</u>	<u>-</u>
Total revenues, gains, and other support	<u>8,136,576</u>	<u>(243,486)</u>	<u>7,893,090</u>
Expenses			
Program services:			
Homeless services	5,121,255	-	5,121,255
Mental health services	1,108,044	-	1,108,044
Property management services	<u>91,503</u>	<u>-</u>	<u>91,503</u>
Total program services	<u>6,320,802</u>	<u>-</u>	<u>6,320,802</u>
Support services:			
General and administrative	1,278,742	-	1,278,742
Fundraising	<u>164,316</u>	<u>-</u>	<u>164,316</u>
Total support services	<u>1,443,058</u>	<u>-</u>	<u>1,443,058</u>
Total expenses	<u>7,763,860</u>	<u>-</u>	<u>7,763,860</u>
Change in net assets before discontinued operations	372,716	(243,486)	129,230
Discontinued operations			
Net loss from Garden Program	(19,430)	-	(19,430)
Net loss from Uhlhorn Program	<u>(150,563)</u>	<u>-</u>	<u>(150,563)</u>
Change in net assets after discontinued operations	202,723	(243,486)	(40,763)
Net assets, beginning of year, as restated	<u>2,866,917</u>	<u>725,214</u>	<u>3,592,131</u>
Net assets, end of year	<u>\$ 3,069,640</u>	<u>\$ 481,728</u>	<u>\$ 3,551,368</u>

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES, AS RESTATED
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Federal assistance	\$ 1,291,132	\$ -	\$ 1,291,132
State and local assistance	2,121,158	-	2,121,158
United Way	50,742	-	50,742
Grants and contributions	661,493	570,000	1,231,493
In-kind contributions	131,002	-	131,002
Program service revenue	2,124,011	-	2,124,011
Change in interest in net assets of ShelterCare Foundation	78,129	-	78,129
Interest income	303	-	303
Other income	68,202	-	68,202
Net assets released from restrictions	<u>397,035</u>	<u>(397,035)</u>	<u>-</u>
Total revenues, gains, and other support	<u>6,923,207</u>	<u>172,965</u>	<u>7,096,172</u>
Expenses			
Program services:			
Homeless services	4,468,209	-	4,468,209
Mental health services	943,741	-	943,741
Property management services	<u>80,386</u>	<u>-</u>	<u>80,386</u>
Total program services	<u>5,492,336</u>	<u>-</u>	<u>5,492,336</u>
Support services:			
General and administrative	1,212,472	-	1,212,472
Fundraising	<u>164,361</u>	<u>-</u>	<u>164,361</u>
Total support services	<u>1,376,833</u>	<u>-</u>	<u>1,376,833</u>
Total expenses	<u>6,869,169</u>	<u>-</u>	<u>6,869,169</u>
Change in net assets before discontinued operations	54,038	172,965	227,003
Discontinued operations			
Net income from Garden Program	287,056	-	287,056
Net loss from Uhlhorn Program	<u>(83,332)</u>	<u>-</u>	<u>(83,332)</u>
Change in net assets after discontinued operations	257,762	172,965	430,727
Net assets, beginning of year, as restated	<u>2,609,155</u>	<u>552,249</u>	<u>3,161,404</u>
Net assets, end of year, as restated	<u>\$ 2,866,917</u>	<u>\$ 725,214</u>	<u>\$ 3,592,131</u>

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
Cash flows from operating activities		
Change in net assets	\$ (40,763)	\$ 430,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	294,732	255,987
Amortization of deferred financing fees	159,624	8,607
Noncash change in interest in ShelterCare Foundation	(13,360)	(78,129)
Noncash forgiveness of note receivable	3,120,000	-
Noncash forgiveness of long-term debt	(3,840,000)	-
Capital Campaign contributions	-	(1,750)
(Increase) decrease in:		
Grants and contracts receivable	154,018	(163,638)
Program services receivable	159,430	170,880
Pledges receivable	(10,000)	1,662
Prepaid expenses and deposits	21,495	17,295
Increase (decrease) in:		
Accounts payable	(31,727)	8,825
Payroll and related accruals	(18,549)	4,010
Accrued vacation	(3,400)	(19,036)
Client deposits payable	150	849
Contract overpayment liability	84,332	48,134
Accrued interest payable	(21,487)	(8)
	<u>14,495</u>	<u>684,415</u>
Cash flows from investing activities		
Purchase of property and equipment	(224,144)	(26,052)
Proceeds from interest in ShelterCare Foundation	<u>86,711</u>	<u>63,882</u>
	<u>(137,433)</u>	<u>37,830</u>
Cash flows from financing activities		
Net proceeds from (payments on) line of credit	138,000	(425,000)
Proceeds from Paycheck Protection Program loan	913,435	-
Proceeds from Capital Campaign contributions	-	1,750
Principal payments on long-term debt	<u>(48,184)</u>	<u>(45,148)</u>
	<u>1,003,251</u>	<u>(468,398)</u>

	<u>2020</u>	<u>2019</u>
Net increase in cash and cash equivalents	880,313	253,847
Cash and cash equivalents, beginning of year	<u>619,365</u>	<u>365,518</u>
Cash and cash equivalents, end of year	<u>\$ 1,499,678</u>	<u>\$ 619,365</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 146,211</u>	<u>\$ 134,845</u>
 Supplemental disclosure of noncash investing and financing activities		
Total (decrease) increase in interest in ShelterCare Foundation	\$ (3,193,351)	\$ 14,247
Noncash forgiveness of notes receivable due to unwind of New Market Tax Credit Transaction (Note 17)	3,120,000	-
Noncash change in interest in ShelterCare Foundation	<u>(13,360)</u>	<u>(78,129)</u>
 Cash proceeds from interest in ShelterCare Foundation	<u>\$ (86,711)</u>	<u>\$ (63,882)</u>
 Noncash forgiveness of long-term debt due to unwind of New Market Tax Credit Transaction (Note 17)	<u>\$ (3,840,000)</u>	<u>\$ -</u>

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services									
	Homeless Services			Mental Health Services		Property Management Services	Total Program Services	Support Services		Total Expenses
	Emergency Shelter, HPP and Transitional Services			Crisis Respite and Intensive Residential Care				General and Administrative	Fundraising	
	Family Housing Program	McKenzie Rapid Rehousing	ShelterCare Supported Housing	Behavioral Health	Residential Care					
Salaries and wages	\$ 526,680	\$ 247,901	\$ 836,479	\$ 739,592	\$ 24,437	\$ 2,375,089	\$ 669,858	\$ 101,416	\$ 3,146,363	
Payroll taxes	37,958	17,627	57,622	57,408	1,873	172,488	49,353	7,384	229,225	
Health benefits	74,128	37,565	105,751	109,504	1,798	328,746	64,494	7,153	400,393	
Retirement plan expense	6,840	3,284	10,362	7,934	126	28,546	13,877	1,358	43,781	
Other fringe benefits	17,187	7,453	27,804	16,399	233	69,076	35,521	2,357	106,954	
Training	744	84	992	2,284	45	4,149	20,684	448	25,281	
Travel	6,465	4,962	23,809	13,965	1,180	50,381	1,356	2,365	54,102	
Client assistance	447,563	605,034	955,679	1,876	47,170	2,057,322	1,973	350	2,059,645	
Rent	9,318	2,620	126,882	-	-	138,820	1,891	-	140,711	
Utilities	65,141	8,972	15,918	8,250	210	98,491	7,340	2,625	108,456	
Telephone and cellular services	17,815	3,023	9,627	8,575	892	39,932	4,584	1,251	45,767	
Fundraising events	-	-	-	-	-	-	-	5,424	5,424	
Insurance	32,243	6,454	22,203	18,285	3,227	82,412	16,465	1,968	100,845	
Medical and professional services	28,078	17,555	16,675	29,884	4,620	96,812	123,800	1,155	221,767	
Repairs and maintenance	167,757	12,518	153,396	17,576	660	351,907	18,058	4,016	373,981	
Supplies	25,252	4,218	26,094	11,360	995	67,919	32,531	6,685	107,135	
Miscellaneous	8	25	63	58	12	166	17,665	2,113	19,944	
Interest	55,690	24,307	59,670	35,878	2,395	177,940	84,663	9,716	272,319	
Recruiting	275	16	133	82	2	508	53,905	-	54,413	
Bad debt expense	-	-	-	-	-	-	4,289	-	4,289	
Depreciation	78,560	16,128	54,648	29,134	1,628	180,098	56,435	6,532	243,065	
Total functional expenses	\$ 1,597,702	\$ 1,019,746	\$ 2,503,807	\$ 1,108,044	\$ 91,503	\$ 6,320,802	\$ 1,278,742	\$ 164,316	\$ 7,763,860	

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES, AS RESTATED
For the Year Ended June 30, 2019

	Program Services									
	Homeless Services			Mental Health Services			Total Program Services	Support Services		Total Expenses
	Emergency Shelter, HPP and Transitional Services			Crisis Respite and Intensive Residential Care				General and Administrative	Fundraising	
	Family Housing Program	McKenzie Rapid Rehousing	ShelterCare Supported Housing	Residential Care Behavioral Health	Property Management Services					
Salaries and wages	\$ 537,658	\$ 222,565	\$ 726,281	\$ 651,162	\$ 36,382	\$ 2,174,048	\$ 699,832	\$ 85,859	\$ 2,959,739	
Payroll taxes	38,953	16,035	53,103	47,434	2,867	158,392	52,223	6,310	216,925	
Health benefits	61,784	28,408	78,933	67,258	3,223	239,606	65,691	13,403	318,700	
Retirement plan expense	5,752	2,037	9,155	5,747	400	23,091	10,707	922	34,720	
Other fringe benefits	18,099	6,741	27,265	17,263	595	69,963	32,417	1,783	104,163	
Training	673	543	1,917	3,807	1,398	8,338	10,113	42	18,493	
Travel	7,216	8,350	22,177	22,369	2,067	62,179	1,895	1,378	65,452	
Client assistance	395,496	481,747	889,811	1,844	21,705	1,790,603	9,464	365	1,800,432	
Rent	9,091	2,250	130,145	-	-	141,486	-	-	141,486	
Utilities	53,025	5,862	12,257	8,536	194	79,874	7,995	2,716	90,585	
Telephone and cellular services	17,635	3,235	10,567	7,508	730	39,675	4,642	1,276	45,593	
Fundraising events	-	-	-	-	-	-	-	20,875	20,875	
Insurance	13,234	5,672	17,015	16,071	2,836	54,828	12,872	1,891	69,591	
Medical and professional services	15,420	16,608	14,894	30,538	4,558	82,018	98,693	891	181,602	
Repairs and maintenance	204,705	4,828	108,312	10,744	396	328,985	12,118	3,281	344,384	
Supplies	29,009	5,259	18,980	9,777	856	63,881	32,643	10,064	106,588	
Miscellaneous	100	20	246	39	2	407	21,223	2,414	24,044	
Interest	9,217	5,244	13,775	16,616	747	45,599	60,695	4,437	110,731	
Recruiting	1,041	17	35	794	13	1,900	9,774	16	11,690	
Bad debt expense	376	-	-	-	-	376	16,013	-	16,389	
Depreciation	40,037	14,543	44,856	26,234	1,417	127,087	53,462	6,438	186,987	
Total functional expenses	\$ 1,458,521	\$ 829,964	\$ 2,179,724	\$ 943,741	\$ 80,386	\$ 5,492,336	\$ 1,212,472	\$ 164,361	\$ 6,869,169	

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

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Organization

ShelterCare, a nonprofit organization, was incorporated under the laws of the state of Oregon on December 2, 1970. ShelterCare provides services in Lane County, Oregon. The principal services include:

Homeless Services: Emergency Shelter, Housing Services for Families (HSF), and Transitional Services. Services include emergency shelter and support for families with children and other services for families and individuals needing assistance to acquire or maintain housing. Facilities include Short Term Housing (STH) and ShelterCare Medical Recuperation (SMR). Other programs operating from the STH location, but part of the Housing Services for Families program (HSF), are McKenzie Rapid Rehousing and Homelessness Prevention.

Mental Health Services and Permanent Supported Housing (PSH): Homeless and Transitional Services include transitional and longer-term supported housing for individuals with psychiatric disabilities. Programs include the Behavioral Health program, Shankle Program, State Rental Assistance Program, and scattered site supported housing and services offered at Hawthorn Apartments, Signpost Apartments, and Afiya Apartments.

Property Management Services: Services include providing property management services for supported housing programs in Eugene.

Principles of Consolidation

In August 2013, ShelterCare established ShelterCare 499 Project, which is a wholly owned subsidiary. The primary purpose of ShelterCare 499 Project is to support ShelterCare by holding real estate used by ShelterCare in its program activities. The accompanying consolidated financial statements include the accounts of ShelterCare and ShelterCare 499 Project, collectively referred to hereafter as "ShelterCare". Inter-company transactions and balances have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Recent Accounting Standard Adopted

During the year ended June 30, 2020, ShelterCare adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities* (Topic 605) to clarify the scope and accounting guidance for contributions made and received. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard effectively excludes contributions from the requirements of ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606) and related subsequently issued clarifying ASUs. ShelterCare adopted the new standard effective July 1, 2019, using a modified prospective approach in these consolidated financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2018-08. ShelterCare elected to delay implementation of ASU No. 2014-09 pursuant to ASU No. 2020-05 which delayed the implementation date to July 1, 2020.

Subsequent Events

Management evaluates events and transactions that occur after the consolidated statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

Income Tax Status

ShelterCare and ShelterCare 499 Project are nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code (IRC). ShelterCare and ShelterCare 499 Project file required information returns with both the U.S. federal jurisdiction and the state of Oregon. Federal income and state excise taxes are calculated for unrelated business income, if any, at current statutory rates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, ShelterCare considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents included the following:

	<u>2020</u>	<u>2019</u>
Savings and checking accounts	\$ 824,296	\$ 378,397
Money market funds	674,942	240,525
Petty cash	<u>440</u>	<u>443</u>
Total cash and cash equivalents	<u>\$ 1,499,678</u>	<u>\$ 619,365</u>

Receivables

Grants and contracts receivable is primarily comprised of amounts receivable from state and local governments and other agencies that provide assistance to ShelterCare for its programs. Management provides an allowance for doubtful accounts receivable based on delinquency of accounts and historical experience. None of the receivables are secured.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Receivables, continued

Program services receivables are comprised of receivables from clients, the local coordinated care organization, and state and local governmental units that receive services provided by ShelterCare. Management provides an allowance for doubtful accounts receivable based on delinquency of accounts, contractual terms, and historical experience. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to the applicable receivable account. None of the receivables are secured.

Capital Campaign pledges receivable are comprised of unconditional promises to give related to ShelterCare's Capital Campaign. The reported value is a fair representation of the future value of the receivables. Amounts are written-off when determined that they are uncollectible. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges at year-end. None of the pledges receivable are secured.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose for a specific period of time. Property and equipment are depreciated using the straight-line method over the asset's estimated useful life. Major renewals and betterments are capitalized and included in property and equipment accounts if the cost exceeds \$2,500, while expenditures for maintenance, minor repairs, and replacements are charged directly to expense.

Deferred Financing Costs

Deferred financing costs are recorded at cost and are amortized over the life of the related loan.

Net Assets

In accordance with U.S. GAAP, ShelterCare is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Restricted donations for which the restriction is met during the same fiscal year are recorded as net assets without donor restrictions. Donor restrictions of long-lived assets or donations restricted to purchase long-lived assets are considered released from restriction when placed in service unless there are explicit donor stipulations for the use of the asset for a set amount of time. In such cases, restrictions are released over the lesser of the specified amount of time of the donor restriction or the estimated useful life of the asset. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Currently, ShelterCare has no net assets that are classified with perpetual donor restrictions.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Revenues and Other Support

Support for programs comes from federal, state, and local grants and contracts; United Way; and contributions. ShelterCare also earns fee-for-service revenue under various contractual arrangements. Program service revenue is comprised primarily of fee-for-service revenue and is recognized in the period in which ShelterCare provides the services. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Functional Allocation of Expenses

ShelterCare allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly to that program or support service according to their natural expenditure classification. Other expenses that are common to several functions are allocated among the programs and support services benefited generally based on the actual time and effort allocations of direct labor costs.

Advertising and Marketing Costs

ShelterCare expenses advertising and marketing costs as incurred.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of June 30, 2020 and 2019, the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was \$751,386 and \$3,944,737, respectively. ShelterCare recognizes its interest in the net assets of ShelterCare Foundation at its estimated fair value using valuation techniques that rely on Level 3 inputs.

The valuation technique used by ShelterCare to value its interest in the net assets of ShelterCare Foundation is based on the value of the underlying assets held at Oregon Community Foundation (OCF) which represents ShelterCare Foundation's share of a pooled investment portfolio managed by OCF. ShelterCare Foundation's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including the use of Level 1, Level 2, and Level 3 inputs. Based on those values, OCF furnishes to ShelterCare Foundation an estimated value of ShelterCare Foundation's interest in the assets of OCF. Since the value provided by OCF includes significant reliance on Level 3 inputs, the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation is categorized within the valuation hierarchy as an asset valued using Level 3 inputs. See Note 3 for reconciliation of changes in assets measured with Level 3 inputs.

2. Property and Equipment

At June 30, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 874,436	\$ 874,436
Building	4,611,853	4,602,625
Leasehold improvements	437,576	251,371
Equipment and furnishings	246,978	246,978
Other property	441,979	410,479
Construction in progress	<u>-</u>	<u>2,789</u>
	6,612,822	6,388,678
Accumulated depreciation	<u>(2,638,673)</u>	<u>(2,343,941)</u>
Property and equipment, net	<u>\$ 3,974,149</u>	<u>\$ 4,044,737</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$294,732 and \$255,987, respectively.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Interest in Net Assets of ShelterCare Foundation

During 2006, ShelterCare terminated its endowment fund with OCF and transferred all remaining assets to a newly formed exempt organization, ShelterCare Foundation. ShelterCare specified itself as the beneficiary of ShelterCare Foundation assets. Variance power has not been granted by ShelterCare to ShelterCare Foundation. The investment objectives are to invest the endowment funds in a manner that will maximize the benefit intended by the donors and the Board, produce current income to support the programs of ShelterCare, and protect the principal of the funds. ShelterCare Foundation established an endowment fund with OCF to manage its investment portfolio. ShelterCare reports as an asset its interest in the net assets of ShelterCare Foundation at fair value as an asset measured with Level 3 inputs. The interest in the net assets of ShelterCare Foundation is considered a Board-designated endowment and is reported with net assets without donor restriction.

Upon request, ShelterCare Foundation may make distributions to ShelterCare. The Board of Directors of ShelterCare shall submit a request for distribution. The request shall indicate the amount of the requested distribution, which will not exceed the annual payout amount to be provided to ShelterCare Foundation by OCF. The description must contain sufficient detail to enable the Board to determine to its satisfaction that the intended use of the distribution meets the criteria.

In the event ShelterCare Foundation's Board of Directors determines that the intended use of the distribution meets the criteria, then it shall approve ShelterCare's request for distribution and shall make the requested proceeds available to ShelterCare immediately upon the availability of such funds. In the event ShelterCare Foundation's Board of Directors determines that the intended use of the distribution fails to meet the criteria, then it may require additional information from ShelterCare to make a final determination on the matter.

For the years ended June 30, 2020 and 2019, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3,944,737	\$ 3,930,490
Change in fair market value	(8,347)	48,162
Interest and dividend reinvested	5,381	5,946
Interest income from notes receivable	22,793	31,200
Endowment contributions	-	10
Forgiveness of note receivable due from ShelterCare	(3,120,000)	-
Distributions to ShelterCare	(86,711)	(63,882)
Expenses	<u>(6,467)</u>	<u>(7,189)</u>
Balance, end of year	<u>\$ 751,386</u>	<u>\$ 3,944,737</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Line of Credit

ShelterCare has an agreement for a \$750,000 line of credit with Columbia Bank. The line of credit bears interest at 1.0 and 1.5 percentage points over the bank's prime, respectively, with an interest rate floor of 5.5 percent for the terms ended June 30, 2020 and 2019. The interest rate on the line of credit was 5.50 percent and 7.00 percent as of June 30, 2020 and 2019, respectively. The balance on the line of credit at June 30, 2020 and 2019, was \$138,000 and \$-0-, respectively. Interest expense paid on the line of credit for the years ended June 30, 2020 and 2019, was \$19,349 and \$17,225, respectively. The line of credit was last renewed May 2020 and the new maturity date is May 15, 2021.

5. Long-term Debt

At June 30, long-term debt consisted of the following:

	2020	2019
Note payable to Columbia Bank, secured by investment in real estate. The note agreement calls for monthly payments of \$9,690, including interest at 5.21% commencing October 1, 2011. The note requires a balloon payment for the full amount due on September 1, 2021.	\$ 1,266,530	\$ 1,314,714
Note payable to Enhanced Capital New Market Development Fund XVII, LLC, secured by assignment of leases, rents, and real estate, accrues interest at 1.2032% per annum. Annual payments of interest only were due beginning December 2014. The note was forgiven in March 2020 with the unwind of the New Market Tax Credit transaction (Note 17).	-	3,840,000
	1,266,530	5,154,714
Unamortized deferred financing costs	(2,337)	(161,961)
Current portion	(46,411)	(43,842)
Long-term debt, net of current portion and unamortized deferred financing costs	\$ 1,217,782	\$ 4,948,911

Total interest expense for these notes for the years ended June 30, 2020 and 2019, was \$261,626 and \$126,219, respectively, of which \$159,624 and \$8,607, respectively, were for amortization of the deferred financing fees. The loan fees associated with the note that was forgiven during the year were fully amortized and the amortization was charged to interest expense and is included in the amounts above.

Future maturities for long-term debt described above are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 46,411
2022	1,220,119
Total	\$ 1,266,530

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Paycheck Protection Program Loan

In April 2020, ShelterCare applied for and was awarded a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (The CARES Act) through Columbia State Bank. ShelterCare was approved for a loan in the amount of \$913,435 as evidenced by a promissory note dated April 27, 2020. The loan accrues interest at a rate of 1.00 percent (simple interest). The loan is unsecured.

The provisions of the agreement state that ShelterCare may apply to the lender for forgiveness of the loan in the amount equal to the sum of eligible costs incurred by ShelterCare as defined in the CARES Act and the loan agreement. If not forgiven, repayments of the loan begin August 2021 and the loan matures April 2025.

As of the date of the independent auditor's report, ShelterCare had not yet applied for forgiveness of the loan; however, management anticipates full forgiveness will be granted. Upon forgiveness of the loan, ShelterCare will recognize income for the amount forgiven in accordance with FASB ASC 470-20, *Liabilities: Extinguishment of Liabilities*.

7. Description of Leasing Arrangements

ShelterCare has several month-to-month leases for facilities and programs that continue until cancelled by either party. ShelterCare also receives donated use of facilities for its Supported Housing programs with a value of \$121,000. Total rent expense for the years ended June 30, 2020 and 2019, was \$160,499 and \$168,522, respectively, which includes \$121,000 for in-kind use of facilities.

8. Net Assets With Donor Restrictions

At June 30, net assets with donor restrictions were available for the following purposes:

	<u>2020</u>	<u>2019</u>
HOME grant restricted to Garden kitchen remodel	\$ -	\$ 26,600
Support restricted to the Homeless Prevention Program	184,612	100,000
Support restricted to the Transitional Housing Project	99,997	450,000
Support restricted to Eviction Intervention Program	38,837	128,614
CDBG grant for SMR capital improvements	142,840	-
Support restricted to specific programs or activities	<u>15,442</u>	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 481,728</u>	<u>\$ 725,214</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Program Service Revenue

For the years ended June 30, program service revenue consisted of the following:

	<u>2020</u>	<u>2019</u>
Medicaid – Title XIX	\$ 1,042,561	\$ 1,127,136
Homeless medical respite	499,936	620,579
Rent, program, and other fees	<u>403,713</u>	<u>376,296</u>
Total program service revenue	<u>\$ 1,946,210</u>	<u>\$ 2,124,011</u>

10. Donated Goods, Services, and Use of Facilities

During the year, certain goods, professional services, and use of facilities were donated to ShelterCare. Such donations are recorded at the estimated fair market value at the date of donation. These goods, services, and usage have been reflected in the consolidated financial statements as in-kind contributions and program or support services expenses.

At June 30, in-kind contributions consisted of the following:

	<u>2020</u>	<u>2019</u>
In-kind contributions of goods	\$ 18,284	\$ 9,563
In-kind contributions of goods – Uhlhorn (discontinued)	224	500
Professional services	-	439
Use of facilities	<u>121,000</u>	<u>121,000</u>
Total in-kind contributions	<u>\$ 139,508</u>	<u>\$ 131,502</u>

ShelterCare also receives a substantial amount of services donated by volunteers. No amounts have been reflected in the consolidated financial statements for these services since they do not meet the criteria for recognition. The estimated value of these services was \$29,791 and \$32,417 for the years ended June 30, 2020 and 2019, respectively.

11. Related Party Transactions

ShelterCare provides administrative, management, and maintenance services to DH, Incorporated; Afiya Apartments, Inc.; and River Kourt Apartments which are affiliated to some shared Board members. Additionally, ShelterCare has been authorized by the Board of Directors of the organizations to provide oversight for the properties and the management agent.

ShelterCare recognized revenue for the years ended June 30, 2020 and 2019 from DH, Incorporated of \$20,790 and \$56,905, respectively. The amount receivable from DH, Incorporated at June 30, 2020 and 2019, was \$44,248 and \$38,207 respectively.

ShelterCare recognized revenue for the years ended June 30, 2020 and 2019 from Afiya Apartments, Inc. of \$5,800 and \$20,725, respectively. The amount receivable from Afiya Apartments, Inc. at June 30, 2020 and 2019, was \$-0- and \$2,172, respectively.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Related Party Transactions, continued

ShelterCare recognized revenue for the years ended June 30, 2020 and 2019 from River Kourt Apartments of \$43,489 and \$36,279, respectively. The amount receivable from River Kourt Apartments at June 30, 2019 and 2018 was \$6,817 and \$33,941, respectively.

ShelterCare also receives federal funds passed through from Homes For Good. The Executive Director of Homes for Good serves on the Board of Directors for ShelterCare. The total amount received for the years ended June 30, 2019 and 2018 was \$118,309 and \$103,674, respectively.

12. Concentrations

Custodial risk – ShelterCare and ShelterCare 499 Project maintain bank accounts at one financial institution. The accounts are insured up to certain limits by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC insurance limits were \$1,381,167 and \$326,535 at June 30, 2020 and 2019, respectively. Management believes ShelterCare is not exposed to any significant credit risk related to cash and cash equivalents.

Governmental revenue and support – A substantial portion of revenue and support is provided by federal, state, and local governmental entities. Changes in governmental priorities for funding social services needs could affect future ShelterCare funding.

Receivables – Approximately 65 percent and 71 percent of ShelterCare's grants and contracts receivable were due from one and three agencies as of June 30, 2020 and 2019, respectively. The balance of program service receivables was comprised almost entirely of receivables from two agencies as of June 30, 2020 and 2019.

13. Retirement Plan

ShelterCare adopted a Simplified Employee Pension/IRA plan on April 1, 1999, which covers all employees who have been employed by ShelterCare a minimum of two years and were employed at least three of the preceding five years. Contributions to the plan were \$46,807 and \$40,216 for the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, \$10,718 and \$10,024, respectively, was payable. Contributions to the retirement plan are discretionary, and the amount of future contributions will be determined annually by the Board of Directors.

14. Healthcare Reimbursement Arrangement

Effective December 1, 2007, ShelterCare established a health reimbursement arrangement plan (HRA) to provide eligible employees with certain tax-free medical reimbursement benefits. The employer-funded HRA is funded through the operational budget of ShelterCare and therefore may be fully funded, unfunded, modified, or terminated on an annual basis as determined by ShelterCare. Eligible employees have an account balance which is funded by employer contributions. The account balance decreases for benefit payments and administrative fees. Forfeited account balances can be used to provide HRA benefits to eligible new participants. During the years ended June 30, 2020 and 2019, ShelterCare did not make a contribution to the HRA.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent Liabilities

The city of Eugene has stipulated that programs using CDBG and HOME funding for improvements of real property shall use the real property primarily for the project objective for a period of 10 years after the date of project completion. If the real property is used for another objective prior to the fifth anniversary of the project completion date, ShelterCare is required to pay the city of Eugene an amount equal to the current fair market value of the improvements to the real property. After the fifth anniversary of the project completion date, ShelterCare would be required to pay the city of Eugene an amount equal to one fifth of the amount of the grant for every calendar year remaining in the period of benefit. As of June 30, 2020 and 2019, \$-0- and \$26,600, respectively, in improvements at Garden Place kitchen remodel funded by CDBG and HOME have been included as net assets with donor restrictions. As of June 30, 2020 and 2019 \$142,840 and \$-0-, respectively, in improvements at ShelterCare Medical Recuperation Program facility provided by the city of Eugene have been included as net assets with donor restrictions.

ShelterCare is the guarantor for an interest-free loan of \$75,000 for 30 years provided by the state of Oregon on December 18, 2008, used to develop Main Street HUD 811 Project - Afiya Apartments, Inc. As the guarantor, ShelterCare is contingently liable for the loan. ShelterCare is not required to repay the indebtedness unless Afiya Apartments, Inc. defaults on the loan, or if the Afiya Apartments are sold or there is a change in use. Because the likelihood of a near-term repayment is remote, the amount has not been recognized as a liability in ShelterCare's consolidated financial statements.

16. Liquidity and Availability of Resources

ShelterCare has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, 2020, ShelterCare's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2020	2019
Cash and cash equivalents	\$ 1,499,678	\$ 619,365
Receivables:		
Grant and contract receivable, net	411,328	565,346
Program services receivable, net	69,104	228,534
Pledges receivable, current portion	5,000	-
	1,985,110	1,413,245
Less amounts with donor restrictions	(338,888)	(300,000)
Financial assets available for general expenditure	\$ 1,646,222	\$ 1,113,245

As noted in Note 4, ShelterCare has access to a line of credit up to \$750,000 that could be drawn on in the event additional liquid financial assets were needed for operations.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. New Market Tax Credit Transaction Unwind

During the year ended June 30, 2014, ShelterCare, ShelterCare 499 Project, and ShelterCare Foundation entered into agreements with unrelated third parties to facilitate obtaining an allocation of new market tax credits for the improvements made to ShelterCare's administrative and program services building. As a result of that transaction, ShelterCare 499 Project entered into a loan agreement with Enhanced Capital New Market Development Fund XVII, LLC, an unrelated organization, for \$3,840,000. Additionally, as part of the transaction, ShelterCare contributed \$3,120,000 to ShelterCare Foundation. ShelterCare Foundation then lent those funds to Enhanced Capital Oregon NMTC Investment Fund IV, LLC, an unrelated organization. On March 24, 2020 WF Enhanced Capital Oregon NMTC Investment Fund, LLC exercised its put option which required ShelterCare to purchase the entire LLC interest in Enhanced Capital Oregon NMTC Investment Fund IV, LLC for \$10,000. Enhanced Capital Oregon NMTC Investment Fund IV, LLC was the sole member of Enhanced Capital New Market Development Fund XVII, LLC. As a result of the assignment of member interest, ShelterCare became the holder of the note owed by ShelterCare 499 Project for \$3,840,000 and ShelterCare became the holder of the note owed to ShelterCare Foundation for \$3,120,000. ShelterCare forgave the loan for \$3,840,000 owed by ShelterCare 499 Project and ShelterCare Foundation forgave the loan for \$3,120,000 owed by ShelterCare. The net result of the dissolution of the new market tax credit transaction was net debt forgiveness of \$710,000 which is recognized as contribution income in the consolidated statement of activities for the year ended June 30, 2020.

18. Discontinued Operations

Pursuant to a Board decision, ShelterCare ceased operations of the Garden Place program in August 2019. In March 2020, ShelterCare was required to halt operations of the Uhlhorn day services program due to a government shut-down order stemming from the COVID-19 coronavirus pandemic. The Board ultimately decided to discontinue the Uhlhorn Program permanently. The change in net assets from the operations for the Garden Place program and Uhlhorn program for the fiscal years ended June 30, 2020 and 2019 are presented separately on the consolidated statements of activities. The prior year financial statements were reclassified to conform to the required presentation for the discontinued operations.

19. Restatement

During the year ended June 30, 2020, ShelterCare was informed by Oregon Department of Human Services (DHS) that ShelterCare owed \$468,637 to Oregon DHS due to contract overpayments based on the preliminary settlement calculation performed by Oregon DHS for the biennium period from July 1, 2015 to June 30, 2017. Upon discussion with Oregon DHS, ShelterCare determined there were likely additional overpayments for the years ended June 30, 2018 and June 30, 2019.

The 2019 financial statements have been restated to recognize the overpayment liability and effect on net assets and revenue for the year ended June 30, 2019. The impact of the restatement decreased beginning net assets for the year ended June 30, 2020 by \$515,413, decreased 2019 revenue by \$48,134, and decreased ending June 30, 2019 net assets by \$563,547. The restatement also increased June 30, 2019 liabilities by \$563,547 – the estimated full amount of the contract overpayment liability.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Economic Uncertainties

As a result of the COVID-19 coronavirus pandemic, for the year ended June 30, 2020, ShelterCare was required to shift its mental health services to a telehealth format for the last quarter of the fiscal year. ShelterCare was also required to close the Uhlhorn day services program beginning March 16, 2020 and ultimately decided to discontinue the program. Additionally, ShelterCare was required to delay one of its major fundraising events and ultimately move the event to a virtual format which occurred after year end. ShelterCare received some additional grant funding due to the pandemic. As of the date of the independent auditor's report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic and the future financial impact and duration cannot be reasonably estimated.

21. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously stated net assets or change in net assets.

SINGLE AUDIT INFORMATION

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed-through Lane County, Oregon:			
Continuum of Care Program:	14.267		
Shankle Program		53418	\$ 516,988
McKenzie Rapid Rehousing		53412	223,251
Rapid Rehousing Cascades		53415	88,651
Camas Permanent Housing		53419	167,450
Sahalie Permanent Housing		53848	<u>168,397</u>
Total passed-through Lane County, Oregon			<u>1,164,737</u>
Passed-through Homes For Good:			
Continuum of Care Program:			
Madrone	14.267		<u>118,309</u>
Total Continuum of Care Program			1,283,046
Passed-through Catholic Community Services of Lane County:			
Emergency Solutions Grant Program	14.231	53442/53443	<u>78,058</u>
Total U.S. Department of Housing and Urban Development			1,361,104
U.S. Department of Homeland Security			
Direct Award - Emergency Food and Shelter			
National Board Program	97.024	15042	<u>8,300</u>
Total federal award expenditures			<u>\$ 1,369,404</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of ShelterCare under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. The Schedule is not intended to and does not present the financial position, changes in net assets, or cash flows of ShelterCare.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ShelterCare has elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ShelterCare does not have any subrecipients.

**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
ShelterCare and Subsidiary
Eugene, Oregon

We have audited, in accordance with the 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 consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ShelterCare and subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ShelterCare and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of ShelterCare and subsidiary'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 ShelterCare and subsidiary's consolidated financial statements are free from 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 consolidated 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 ShelterCare and subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jones & Roth, P.C.
Eugene, Oregon
January 26, 2021

**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
ShelterCare and subsidiary
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited ShelterCare and subsidiary'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 ShelterCare and subsidiary's major federal programs for the year ended June 30, 2020. ShelterCare and subsidiary'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 ShelterCare and subsidiary'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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 ShelterCare and subsidiary'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 ShelterCare and subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, ShelterCare and subsidiary 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, 2020.

Report on Internal Control Over Compliance

Management of ShelterCare and subsidiary 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 ShelterCare and subsidiary'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 the 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 ShelterCare and subsidiary'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

ShelterCare's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ShelterCare's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Jones & Roth, P.C.
Eugene, Oregon
January 26, 2021

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Summary of Auditor's Results

- The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of ShelterCare for the year ended June 30, 2020.
- No significant deficiencies and no material weaknesses in internal controls were disclosed by the audit of the consolidated financial statements.
- No instances of noncompliance material to the consolidated financial statements of ShelterCare, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- Two significant deficiencies related to internal control over compliance and no material weaknesses were disclosed during the audit of the major federal award programs. There are no reportable questioned costs.
- The independent auditor's report on compliance for the major federal award programs for ShelterCare expresses an unmodified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Uniform Guidance are reported in this schedule.
- The program tested as a major program was:
 - U.S. Department of Housing and Urban Development
Continuum of Care Program CFDA Number 14.267
- The threshold for distinguishing between Type A and B programs was \$750,000.
- ShelterCare qualified as a low-risk auditee.

Findings – Consolidated Financial Statements Audit

None.

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2020-001

Federal Award Program: HUD Continuum of Care Program (CFDA 14.267)

Pass-through Agency: Lane County

Type of Finding: Significant deficiency in internal controls over compliance and instance of immaterial non-compliance

Compliance Requirement: Eligibility

Criteria: For the Continuum of Care Program, HUD requires tenant rent to be calculated pursuant to the formula prescribed in 24 CFR §578.77 which is reliant on the calculation of *adjusted income* pursuant to 24 CFR §5.611 which states tenants that meet the definition of elderly or disabled shall be provided a mandatory deduction of \$400 annually in determining adjusted income. Additionally, HUD requires annual recertification of participant eligibility including verification of assets and income and recalculation of tenant rent and HUD subsidy.

Condition: We noted instances in which the tenant adjusted income calculation was missing the mandatory \$400 deduction allotted for elderly and/or disabled families. We also noted instances in which the annual recertification was not completed within the HUD prescribed timeframe. Additionally, we noted one instance in which income for a new participant was not verified during initial entry into the program resulting in an improperly calculated tenant rent and HUD subsidy amounts.

Cause of Condition: The rent calculation worksheet used to calculate adjusted income and the tenant's portion of rent was not completed correctly. There is not a sufficient process in place to ensure timely recertifications of tenants.

Effect of Condition: By excluding the mandatory deduction in determining adjusted income, the tenant's portion of rent was calculated to be higher than it should have been as prescribed by HUD. By failing to recertify tenants annually and not verifying applicant income, there is risk of services being provided to ineligible participants in the program and/or improper tenant rent and HUD subsidy calculations.

Questioned Costs: No reportable questioned costs.

Context: Our sample size was 22 tenant files; the sample was not a statistically valid sample. As noted above, we found two instances in which the mandatory deduction of \$400 was missing from the rent calculation. We noted four instances in which the annual recertification was not completed properly as new tenant rent was not properly calculated and the recertification was not completed within the HUD prescribed timeframe. We noted one instance in which income for a new participant was not verified during initial entry into the program resulting in an incorrect tenant rent calculation. Our sample was not a statistically valid sample.

Repeat Finding: Yes, see Finding 2019-001.

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Findings and Questioned Costs – Major Federal Award Programs Audit, continued

Finding 2020-001, continued

Recommendation: We recommend the program managers review all of the program files to ensure that all eligible individuals have been provided the mandatory deduction in determination of adjusted income and the tenant's portion of rent and that all recertifications have been performed timely. We also suggest management provide additional training to the program managers regarding the HUD regulations for determining tenant rents, required annual recertifications and asset and income verification requirements.

View of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.

Finding 2020-002

Federal Award Program: HUD Continuum of Care Program (CFDA 14.267)

Pass-through Agency: Lane County

Type of Finding: Significant deficiency in internal controls over compliance

Compliance Requirement: Allowable costs

Criteria: The Uniform Guidance (2 CFR §200.430) states that costs of compensation are allowable to the extent they are reasonable for the services rendered and conform to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; and follow an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable. ShelterCare's written policies rely on the use of timesheets, *activity reports* (which document actual hours worked by program/grant) and an excel billing worksheet to charge time to federal grants.

Condition: We noted two instances in which the billing worksheet used to ultimately charge payroll costs to the grants included incorrect data.

Cause of Condition: In one case the activity report did not reflect actual hours worked per the timesheet as the incorrect period's timesheets was used to complete the activity report. In the other instance the activity report data for the wrong period was entered into the billing worksheet.

Effect of Condition: This condition increases the risk that the incorrect amount of costs would be charged to the grants.

Questioned Costs: No reportable questioned costs.

Context: Our sample size was 40 payroll transactions and we noted two errors in that sample. Our sample was not a statistically valid sample as it was selected haphazardly.

Repeat Finding: No.

Recommendation: We recommend management review the current process used to transfer data from the timesheet to the activity reports to the billing worksheets and institute additional layers of review of the data to ensure data is accurately reported in the billing worksheets from which the costs charged to the grants are derived.

View of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.

SHELTERCARE AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

Prior Year Findings – Consolidated Financial Statements Audit

None.

Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2019-001

Federal Award Program: HUD Continuum of Care Program (CFDA 14.267)

Pass-through Agency: Lane County

Type of Finding: Significant deficiency in internal controls over compliance and instance of immaterial non-compliance

Criteria: For the Continuum of Care Program, HUD requires tenant rent to be calculated pursuant to the formula prescribed in 24 CFR §578.77 which is reliant on the calculation of *adjusted income* pursuant to 24 CFR §5.611 which states tenants that meet the definition of elderly or disabled shall be provided a mandatory deduction of \$400 annually in determining adjusted income.

Condition: During our audit procedures we noted two instances in which the tenant adjusted income calculation was missing the mandatory \$400 deduction allotted for elderly and/or disabled families.

2020 Follow-up: See Finding 2020-001.



Finding 2020-001

Management's Response and Planned Corrective Actions:

Program managers will review all program files to ensure that all eligible individuals have been provided the mandatory deduction in determination of adjusted income and the tenant's portion of rent. Staff training will be completed on annual assessments and direction in how to ensure using this deduction when appropriate was discussed and will be covered in future training as well. Training will also be completed in regards to rent calculations and review of files will be done after initial intake and again during all annual reviews.

1. The name of the contact person(s) responsible for the corrective action
 - a. Kathleen Broadhurst, Finance Director and Dana Petersen-Crabb, Housing Director
2. The corrective action planned
 - a. See above comments
3. The anticipated completion date
 - a. Changes were put into place in November of 2020. An official Policy & Procedure will be written by the end of December 2020 and brought to the Policy & Procedure Committee in January of 2021.



Finding 2020-002

Management's Response and Planned Corrective Actions:

Management and staff responsible for charging payroll costs to grants/contracts will review the current process used to transfer the data from timesheet to activity reports to billing worksheets and institute another layer of review to ensure data is accurately reported in billing worksheets from which the costs charged to the grants are derived. As we institute the above additional layer of review, we will also be researching other timekeeping software that we can use to track time charged to grants to make this process less manual, and therefore, less prone to errors.

1. The name of the contact person(s) responsible for the corrective action:
 - a. Kathleen Broadhurst, Finance Director and Becky Hayes, Fiscal Analyst, Grants & Contract Accountant

2. The corrective action planned:
 - a. See above comments

3. The anticipated completion date:
 - a. Additional review will be put in place beginning with the billing for January 2021.
 - b. We will begin our research into other timekeeping software that we can utilize beginning in February 2021.