SHELTERCARE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2022 and 2021

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SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2022

Jones & Roth
CPAs & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of ShelterCare and subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ShelterCare and subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ShelterCare and subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ShelterCare and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ShelterCare and subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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* 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 schedule of expenditures of federal awards 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 23, 2023, 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 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 ShelterCare and subsidiary'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 ShelterCare and subsidiary's internal control over financial reporting and compliance.

Jones & Roth P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2023

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 732,012	$ 547,494
Receivables:		
Grants and contracts receivable	672,322	408,260
Program services receivable, net of allowance of $5,728 for 2022 and $8,136 for 2021	51,554	62,374
Pledges receivable	3,333	5,000
Prepaid expenses and deposits	189,445	180,009
Total current assets	1,648,666	1,203,137
Property and equipment, net	3,514,721	3,696,033
Other assets		
Interest in net assets of ShelterCare Foundation	914,318	995,179
Total assets	$ 6,077,705	$ 5,894,349

	2022	2021
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 80,924	$ 68,299
Payroll and related accruals	153,661	211,502
Accrued interest payable	-	11,187
Line of credit	640,000	183,000
Current portion of long-term debt	63,103	51,592
Contract overpayment liability	647,879	647,879
Deferred revenue (contract advance)	-	269,686
Accrued vacation	130,159	147,217
Client deposits payable	4,004	3,504
Total current liabilities	1,719,730	1,593,866
Long-term liabilities		
Paycheck Protection Program loan	-	913,435
Long-term debt, net of current portion	1,125,988	1,164,179
Total long-term liabilities	1,125,988	2,077,614
Total liabilities	2,845,718	3,671,480
Net assets		
Net assets without donor restrictions	2,557,000	2,068,634
Net assets with donor restrictions	674,987	154,235
Total net assets	3,231,987	2,222,869
Total liabilities and net assets	$ 6,077,705	$ 5,894,349

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Federal assistance	$ 5,021,291	$ -	$ 5,021,291
State and local assistance	2,949,620	-	2,949,620
Grants and contributions	1,468,326	586,588	2,054,914
In-kind contributions	11,710	-	11,710
Program service and contract revenue	1,199,998	-	1,199,998
Change in interest in net assets of ShelterCare Foundation	(48,020)	-	(48,020)
Interest income	146	-	146
Gain on sale of assets	3,875		3,875
Other income	149,726	-	149,726
Net assets released from restrictions	65,836	(65,836)	-
Total revenues, gains, and other support	10,822,508	520,752	11,343,260
Expenses			
Program services:			
Homeless services	7,907,234	-	7,907,234
Mental health services	543,918	-	543,918
Property management services	82,393	-	82,393
Total program services	8,533,545	-	8,533,545
Support services:			
General and administrative	1,568,677	-	1,568,677
Fundraising	231,920	-	231,920
Total support services	1,800,597	-	1,800,597
Total expenses	10,334,142	-	10,334,142
Change in net assets	488,366	520,752	1,009,118
Net assets, beginning of year	2,068,634	154,235	2,222,869
Net assets, end of year	$ 2,557,000	$ 674,987	$ 3,231,987

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Federal assistance	$ 2,290,159	$ -	$ 2,290,159
State and local assistance	4,221,210	-	4,221,210
Grants and contributions	468,872	9,000	477,872
In-kind contributions	91,206	-	91,206
Program service revenue	1,116,403	-	1,116,403
Change in interest in net assets of ShelterCare Foundation	275,730	-	275,730
Interest income	309	-	309
Other income	105,448	-	105,448
Net assets released from restrictions	336,493	(336,493)	-
Total revenues, gains, and other support	8,905,830	(327,493)	8,578,337
Expenses			
Program services:			
Homeless services	7,329,348	-	7,329,348
Mental health services	803,989	-	803,989
Property management services	66,415	-	66,415
Total program services	8,199,752	-	8,199,752
Support services:			
General and administrative	1,499,862	-	1,499,862
Fundraising	207,222	-	207,222
Total support services	1,707,084	-	1,707,084
Total expenses	9,906,836	-	9,906,836
Change in net assets	(1,001,006)	(327,493)	(1,328,499)
Net assets, beginning of year	3,069,640	481,728	3,551,368
Net assets, end of year	$ 2,068,634	$ 154,235	$ 2,222,869

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 1,009,118	$ (1,328,499)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	293,401	294,202
Amortization of deferred financing fees	180	2,157
Gain on disposal of assets	(3,875)	7,464
Noncash change in interest in ShelterCare Foundation	48,020	(275,730)
Forgiveness of Paycheck Protection Program loan	(913,435)	-
(Increase) decrease in:		
Grants and contracts receivable	(264,062)	3,068
Program services receivable	10,820	6,730
Pledges receivable	1,667	5,000
Prepaid expenses and deposits	(9,436)	(15,269)
Increase (decrease) in:		
Accounts payable	12,625	25,873
Payroll and related accruals	(57,841)	26,785
Accrued interest payable	(11,187)	9,134
Deferred revenue (contract advance)	(269,686)	269,686
Accrued vacation	(17,058)	14,457
Client deposits payable	500	(50)
Net cash used by operating activities	(170,249)	(954,992)
Cash flows from investing activities		
Purchase of property and equipment	(112,090)	(23,550)
Proceeds from sale of property and equipment	3,875	-
Proceeds from interest in ShelterCare Foundation	32,842	31,937
Net cash provided (used) by investing activities	(75,373)	8,387
Cash flows from financing activities		
Proceeds from line of credit	3,712,000	4,640,000
Payments on line of credit	(3,255,000)	(4,595,000)
Proceeds from long-term debt	1,200,000	-
Principal payments on long-term debt	(1,226,860)	(50,579)
Net cash provided (used) by financing activities	430,140	(5,579)

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

	2022	2021
Net increase (decrease) in cash and cash equivalents	184,518	(952,184)
Cash and cash equivalents, beginning of year	547,494	1,499,678
Cash and cash equivalents, end of year	$ 732,012	$ 547,494
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 98,816	$ 93,277

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, 2022

	Program Services									
	Homeless Services				**Mental Health Services**					
	Emergency Shelter, HPP and Transitional Services				Crisis Respite and Intensive Residential Care			Support Services		
	Family Housing Program	Commons at MLK	Housing Services for Families	ShelterCare Supported Housing	Behavioral Health	Property Management Services	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	$ 344,095	$ 382,278	$ 447,769	$ 515,376	$ 340,627	$ 10,242	$ 2,040,387	$ 857,217	$ 146,835	$ 3,044,439
Payroll taxes	26,357	29,834	22,983	39,297	24,613	515	143,599	66,990	8,471	219,060
Health benefits	50,723	28,451	54,118	53,607	63,148	444	250,491	101,099	10,617	362,207
Retirement plan expense	3,516	3,761	4,481	5,827	4,524	76	22,185	15,216	1,479	38,880
Other fringe benefits	4,423	4,138	16,942	6,654	1,771	124	34,052	6,571	296	40,919
Training	147	300	680	469	624	-	2,220	15,837	39	18,096
Travel	2,348	196	4,920	20,229	2,607	108	30,408	227	1,407	32,042
Client assistance	284,119	16,993	3,622,477	1,061,930	2	40,587	5,026,108	3,572	-	5,029,680
Rent	9,428	-	2,669	5,820	-	-	17,917	1,992	-	19,909
Utilities	51,860	-	8,792	11,751	6,223	837	79,463	22,725	2,591	104,779
Telephone and cellular services	12,755	2,705	6,285	20,322	8,228	367	50,662	9,657	1,449	61,768
Fundraising events	-	-	-	-	-	-	-	-	10,033	10,033
Insurance	21,502	13,913	20,237	25,296	15,177	-	96,125	19,601	5,059	120,785
Medical and professional services	17,734	3,203	3,828	16,936	42,044	7,502	91,247	96,390	7,835	195,472
Repairs and maintenance	172,560	-	15,715	177,800	3,013	18,109	387,197	32,298	1,255	420,750
Supplies	25,306	6,430	8,353	10,684	6,346	1,680	58,799	41,627	6,410	106,836
Miscellaneous	72	-	-	-	-	-	72	42,182	17,781	60,035
Interest	-	-	-	3,277	8,913	181	12,371	82,742	3,734	98,847
Recruiting	34	6	-	20	-	-	60	13,708	-	13,768
Bad debt expense	-	-	-	-	-	493	493	41,943	-	42,436
Depreciation	78,608	6,239	51,490	36,166	16,058	1,128	189,689	97,083	6,629	293,401
Total functional expenses	$ 1,105,587	$ 498,447	$ 4,291,739	$ 2,011,461	$ 543,918	$ 82,393	$ 8,533,545	$ 1,568,677	$ 231,920	$ 10,334,142

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, 2021

	Program Services							Support Services		
	Homeless Services				**Mental Health Services**					
	Emergency Shelter, HPP and Transitional Services				Crisis Respite and Intensive Residential Care					
	Family Housing Program	Commons at MLK	Housing Services for Families	ShelterCare Supported Housing	Behavioral Health	Property Management Services	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	$ 454,959	$ 214,563	$ 287,658	$ 703,925	$ 529,554	$ 6,232	$ 2,196,891	$ 798,755	$ 136,134	$ 3,131,780
Payroll taxes	33,551	16,425	13,520	45,353	45,513	394	154,756	60,028	8,264	223,048
Health benefits	71,973	22,546	38,698	79,475	95,155	-	307,847	74,293	5,288	387,428
Retirement plan expense	5,425	2,552	3,418	7,098	5,406	69	23,968	16,243	1,801	42,012
Other fringe benefits	15,504	7,107	17,420	19,474	10,348	165	70,018	26,887	2,337	99,242
Training	27	3,244	70	1,633	1,281	575	6,830	10,035	30	16,895
Travel	3,528	22	2,124	22,802	4,155	337	32,968	-	800	33,768
Client assistance	348,182	27,466	2,864,896	1,041,903	95	47,550	4,330,092	10,830	-	4,340,922
Rent	9,318	-	2,682	79,284	-	-	91,284	1,959	-	93,243
Utilities	52,954	-	8,781	18,334	6,790	479	87,338	17,420	2,440	107,198
Telephone and cellular services	12,867	1,262	3,616	14,777	8,860	555	41,937	12,727	1,352	56,016
Fundraising events	-	-	-	-	-	-	-	-	2,957	2,957
Insurance	19,352	6,048	18,144	35,075	14,515	1,157	94,291	24,246	2,419	120,956
Medical and professional services	16,058	4,079	3,848	24,950	43,279	3,442	95,656	126,032	9,296	230,984
Repairs and maintenance	144,416	104	18,713	221,249	7,147	905	392,534	23,497	2,569	418,600
Supplies	29,583	5,009	12,729	14,509	2,807	3,448	68,085	40,590	5,314	113,989
Miscellaneous	180	-	3	1,110	-	-	1,293	16,579	17,228	35,100
Interest	-	-	-	1,277	7,076	126	8,479	93,545	2,544	104,568
Recruiting	1	-	6	16	1,206	-	1,229	19,288	2	20,519
Bad debt expense	-	-	-	-	-	-	-	25,945	-	25,945
Loss on disposals	-	-	-	7,464	-	-	7,464	-	-	7,464
Depreciation	75,270	3,957	40,625	45,157	20,802	981	186,792	100,963	6,447	294,202
Total functional expenses	$ 1,293,148	$ 314,384	$ 3,336,951	$ 2,384,865	$ 803,989	$ 66,415	$ 8,199,752	$ 1,499,862	$ 207,222	$ 9,906,836

The accompanying notes are an integral part of these consolidated 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) and Commons at MLK (MLK). 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, State Rental Assistance Program, Aid & Assist housing & services and scattered site supported housing.

Property Management Services: Services include providing property management services for supported housing programs in Eugene and Springfield, which includes three housing facilities for adults with acquired brain injuries and/or psychiatric disabilities.

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.

1. Summary of Significant Accounting Policies, continued

Recent Accounting Standard Adopted

During the year ended June 30, 2022, ShelterCare adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 increased the transparency of contributed nonfinancial assets for not-for-profit entities through changes to presentation and disclosure. ShelterCare adopted the new standard effective July 1, 2021, using the full retrospective approach in these financial statements.

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:

	2022	2021
Savings and checking accounts	$ 38,598	$ 138,520
Money market funds	693,089	408,649
Petty cash	325	325
Total cash and cash equivalents	$ 732,012	$ 547,494

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.

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.

1. Summary of Significant Accounting Policies, continued

Receivables, continued

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.

Revenues and Other Support

Support for programs comes from federal, state, and local grants and contracts and donor contributions. The majority of the federal, state and local grants received are expense reimbursement based grants; therefore, the grant revenue is recognized when the related expenses are incurred by ShelterCare. Other grants and contributions are recognized when the contribution is promised or made. Contributions of donated non-cash assets are recorded at their estimated fair values when 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. Donated non-cash assets are generally utilized in program activities, not monetized.

1. Summary of Significant Accounting Policies, continued

Revenues and Other Support, continued

ShelterCare also earns fee-for-service revenue under various contractual arrangements. Program service revenue is comprised primarily of fee-for-service billing revenue for mental and behavior health services. Revenue is recognized at a point in time when the services are provided, which is considered satisfaction of the performance obligation. Amounts are billed pursuant to contract terms and payment is due at the time the services are billed. The fee-for-service contracts do not contain elements of variable consideration.

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.

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

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.

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, 2022 and 2021, the fair value of ShelterCare's beneficial interest in the net assets of ShelterCare Foundation was $914,318 and $995,179, 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:

	2022	2021
Land	$ 874,436	$ 874,436
Buildings and improvements	4,723,943	4,611,853
Leasehold improvements	343,817	343,817
Equipment and furnishings	224,860	239,747
Other property	366,155	441,979
	6,533,211	6,511,832
Accumulated depreciation	(3,018,490)	(2,815,799)
Property and equipment, net	$ 3,514,721	$ 3,696,033

Depreciation expense for the years ended June 30, 2022 and 2021 was $293,401 and $294,202, respectively.

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.

3. Interest in Net Assets of ShelterCare Foundation, continued

For the years ended June 30, 2022 and 2021, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	2022	2021
Balance, beginning of year	$ 995,179	$ 751,386
Change in fair market value	(57,389)	278,226
Interest and dividend reinvested	6,230	4,407
Endowment contribution	10,000	-
Miscellaneous income	-	50
Distributions to ShelterCare	(32,842)	(31,937)
Expenses	(6,860)	(6,953)
Balance, end of year	$ 914,318	$ 995,179

4. Line of Credit

ShelterCare had an agreement for a $750,000 line of credit with Columbia Bank until February 15, 2022. The line of credit called for interest to be accrued on the outstanding balance at a variable rate, with an interest rate floor of 5.5 percent. The interest rate on the line of credit was 5.50 percent as of June 30, 2021. The balance on the line of credit at June 30, 2021 was $183,000. The line of credit with Columbia bank was not renewed in February 2022 and the outstanding balance was paid in full.

In February 2022, ShelterCare entered into an agreement with Oregon Pacific Bank for a $900,000 line of credit. The line of credit bears interest at a variable rate equal to the prime rate as published in the Wall Street Journal. The interest rate on the line of credit was 4.75 percent as of June 30, 2022. The balance on the line of credit at June 30, 2022 was $640,000. The line of credit matures February 5, 2025. The line of credit is subject to affirmative covenants including financial reporting and financial ratio requirements.

Interest expense paid on the lines of credit for the years ended June 30, 2022 and 2021, was $23,643 and $25,701, respectively.

5. Long-term Debt

At June 30, 2021 long-term debt consisted of a Note payable to Columbia Bank, secured by investment in real estate. The note agreement called for monthly payments of $9,690, including interest at 5.21% commencing October 1, 2011. At June 30, 2021, the note balance was $1,215,951, presented net of unamortized deferred financing costs of $180. The note required a balloon payment for the full amount due on February 15, 2022; however, the note was paid in full February 2022 with proceeds from the new Oregon Pacific Bank loan noted below.

On February 3, 2022, ShelterCare entered into an agreement for a note payable to Oregon Pacific Bank. The terms of the loan call for monthly payments of $8,741, including interest at 3.6 percent, for 120 months, then monthly payments of $8,818, including interest at 3.95 percent, for 60 months. The loan is secured by investment in real estate. The note matures February 5, 2037. At June 30, 2022, the note balance was $1,189,091. The note is subject to affirmative covenants including financial reporting and financial ratio requirements.

5. **Long-term Debt,** continued

Total interest expense for the notes for the years ended June 30, 2022 and 2021, was $69,415 and $67,619, respectively, of which $180 and $2,158, respectively, were for amortization of the deferred financing fees.

Future required principal payments for the outstanding note are as follows:

Year Ending June 30,	
2023	$ 63,103
2024	65,413
2025	67,807
2026	70,288
2027	72,861
Thereafter	849,619
Total	$ 1,189,091

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 accrued interest at a rate of 1.00 percent (simple interest). The loan was unsecured.

The provisions of the agreement stated 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.

ShelterCare applied for forgiveness of the loan and in July 2021, ShelterCare received notification from the lender the SBA approved the forgiveness of the PPP loan and related interest in full and in July 2021 the SBA tendered payment to the lender. Upon forgiveness of the loan, ShelterCare recognized income for the amount forgiven, including $913,435 of principal and $11,037 of accrued interest in accordance with FASB ASC 470-20, *Liabilities: Extinguishment of Liabilities.*

7. **Description of Leasing Arrangements**

ShelterCare has several month-to-month leases as lessee for facilities and programs that continue until cancelled by either party. ShelterCare also receives donated use of facilities for its Supported Housing programs. Total rent expense for the years ended June 30, 2022 and 2021, was $19,909 and $93,243, respectively, which includes $-0- and $73,464 for in-kind use of facilities, respectively.

ShelterCare also leases out space to a third party (as lessor) under a memorandum of understanding which calls for monthly payments of $6,650. The MOU may be cancelled be either party.

8. Net Assets With Donor Restrictions

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

	2022	2021
Support restricted to the Behavioral Health Program	$ 38,868	$ -
Support restricted to ShelterCare Medical Recuperation	8,000	-
Support restricted to Eviction Intervention Program	4,777	17,978
CDBG grant for SMR capital improvements	111,675	127,257
Support restricted for behavioral health, mental health and/or homelessness prevention programs	500,000	-
Support restricted for staff retention efforts	6,667	-
Support with other restrictions	5,000	9,000
Total net assets with donor restrictions	$ 674,987	$ 154,235

9. Program Service Revenue and Receivables

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

	2022	2021
Medicaid – Title XIX	$ 488,309	$ 562,443
Homeless medical respite	371,588	185,682
Rent, program, and other fees	340,101	368,278
Total program service and contract revenue	$ 1,199,998	$ 1,116,403

The balance for program services receivable, net of the allowance for doubtful accounts at July 1, 2021 and July 1, 2020 was $62,374 and $69,104, respectively. The balance of deferred revenue (contract liability) for program services at July 1, 2021 and July 1, 2020 was $269,686 and $-0-, respectively. Amounts reported as contract liability were included in revenue for the following fiscal year.

10. Donated Goods, Services, and Use of Facilities

For the years ended June 30, in-kind contributions consisted of the following:

	2022	2021
In-kind contributions of goods	$ 11,710	$ 17,742
Use of facilities	-	73,464
Total in-kind contributions	$ 11,710	$ 91,206

ShelterCare also receives a substantial amount of services donated by volunteers for board membership and development work. 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 $14,376 and $13,756 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 from DH, Incorporated of $200 and $2,475 respectively. The amount receivable from DH, Incorporated at June 30, 2022 and 2021, was $200 and $15,649 respectively.

ShelterCare recognized revenue for the years ended June 30, 2022 and 2021 from Afiya Apartments, Inc. of $267 and $6,746, respectively. The amount receivable from Afiya Apartments, Inc. at June 30, 2022 and 2021 was $267 and $-0-, respectively.

ShelterCare recognized revenue for the years ended June 30, 2022 and 2021 from River Kourt Apartments of $305 and $9,995, respectively. The amount receivable from River Kourt Apartments at June 30, 2022 and 2021 was $305 and $4,026, respectively.

ShelterCare also receives federal funds passed through from Homes For Good. The Executive Director of Homes for Good served on the Board of Directors for ShelterCare during the years ended June 30, 2022 and 2021. The total amount received for the years ended June 30, 2022 and 2021 was $115,022 and $98,471, respectively.

12. Concentrations

Deposit and 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 $559,192 and $451,865 at June 30, 2022 and 2021, 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 84 percent and 80 percent of ShelterCare's grants and contracts receivable were due from two agencies and one agency at June 30, 2022 and 2021, respectively. The balance of program service receivables was comprised almost entirely of receivables from two agencies at June 30, 2022 and 2021.

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 $38,880 and $42,012 for the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, $10,110 and $10,056, 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, 2022 and 2021, ShelterCare did not make a contribution to the HRA.

15. Contingent Liabilities

The city of Eugene has stipulated that programs using CDBG 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, 2022 and 2021 $111,675 and $127,257, 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, ShelterCare's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2022	2021
Cash and cash equivalents	$ 732,012	$ 547,494
Receivables:		
Grant and contract receivable, net	672,322	408,260
Program services receivable, net	51,554	62,374
Pledges receivable, current portion	3,333	5,000
	1,459,221	1,023,128
Less amounts with donor restrictions	(563,312)	(26,978)
Financial assets available for general expenditure	$ 895,909	$ 996,150

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

17. Economic Uncertainties

As a result of the continuing COVID-19 coronavirus pandemic, during the years ended June 30, 2022 and 2021, ShelterCare experienced a labor shortage, resulting in programs operating below usual due to inadequate staffing levels. ShelterCare received some additional grant funding due to the pandemic. A significant amount of federal, state and local funding was received during the year ended June 30, 2022 and 2021 for rent relief programs. 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.

18. Subsequent Event

Subsequent to year end, management and the Board of Directors decided ShelterCare would not renew its contract to provide services for the Commons at MLK program. The contract expired December 31, 2022 and was not renewed. The full financial impact of the determination not to renew the program is being determined by management.

19. 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, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed-through Lane County, Oregon:			
COVID-19 Emergency Solutions Grant Program	14.231	55842	$ 187,831
Passed-through Lane County, Oregon:			
Continuum of Care Program:	14.267		
Shankle Program		55931	124,799
McKenzie Rapid Rehousing		55576	218,580
Rapid Rehousing Cascades		55577	61,106
Camas Permanent Housing		55578	184,297
Sahalie Permanent Housing		55580	175,259
MLK		55354	360,366
Total passed-through Lane County, Oregon			1,124,407
Passed-through Homes For Good:			
Continuum of Care Program:			
Madrone	14.267		115,022
Total Continuum of Care Program			1,239,429
Total U.S. Department of Housing and Urban Development			1,427,260
U.S. Department of the Treasury			
Passed-through Lane County, Oregon:			
COVID-19 Emergency Rental Assistance	21.023	55558	3,594,031
Total federal award expenditures			$ 5,021,291

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, 2022. 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.

Jones & Roth
CPAs & Business Advisors

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, 2022, 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 23, 2023.

Report on 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.

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Report on 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.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2023

Jones & Roth
CPAs & Business Advisors

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

Opinion on Each Major Federal Program

We have audited ShelterCare and subsidiary's compliance with the types of compliance requirements identified as subject to audit 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, 2022. ShelterCare and subsidiary's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ShelterCare and subsidiary complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ShelterCare and subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ShelterCare and subsidiary's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ShelterCare and subsidiary's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ShelterCare and subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ShelterCare and subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ShelterCare and subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ShelterCare and subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 ShelterCare and subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on ShelterCare and subsidiary's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. ShelterCare and subsidiary's response was not subjected to the other 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.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2023

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Summary of Auditor's Results

- The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of ShelterCare.
- 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.
- One significant deficiency 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 the Uniform Guidance are reported in this schedule.
- The program tested as a major program was:

  U.S. Department of the Treasury
  Emergency Rental Assistance Program   Assistance Listing # 21.023

- 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.

Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2022-001

Federal Award Program: Emergency Rental Assistance Program (Assistance Listing # 21.023)
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 program grants.

Condition: We noted instances in which the internal control policies were inconsistently applied to the process of recording and billing employees' time. We also noted instances in which time sheets and activity reports were missing employee and supervisor signatures indicating approval. We also noted instances in which information from the activity reports did not agree to the underlying timesheets.

Cause of Condition: Internal control policies and procedures were not consistently applied to the process for timesheet review and approval, completion of activity reports and preparation of billings for the federal program grants. There was not adequate review of the billings against the underlying support (timesheets and activity reports) to catch input errors in the billings.

Effect of Condition: This condition increases the risk that the incorrect amount of costs and/or unallowable costs would be charged to the federal program.

Questioned Costs: No reportable questioned costs.

Context: Our sample size was 40 payroll transactions and was not a statistically valid sample as it was selected haphazardly. We noted two instances in our sample in which timesheets and activity reports were missing employee and supervisor signatures indicating approval. We noted two instances in which information input into the billing did not agree to the underlying data in the activity reports and timesheets.

Repeat Finding: No.

Recommendation: We recommend management review the current process used to transfer data from the timesheet to the activity report to the billing worksheets and institute additional layers of review of the data to ensure data is accurately allocated and reported in the billing worksheets for which the costs charged to the grants are derived. We also recommend management consistently apply procedures to ensure activity reports are completed for all employees charging time to programs and appropriate approvals are obtained prior to billings.

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, 2022

Prior Year Findings – Consolidated Financial Statements Audit

None.

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

None.

Finding 2022-001
Management's Response and Planned Corrective Actions:
Management and staff responsible for the EARS (Activity Reports) process and grants/contracts billing oversight have reviewed the current process. The following will be either added to the process or completed to ensure accuracy of data on the billing worksheet.

1. Improve accuracy and timeliness of data through meeting and discussion with program managers and supervisors. Education for managers/supervisors will be conducted so they understand exactly what to review on each timesheet, the accuracy of the data compared to what is on the timekeeping software and that the timesheet is complete. They will help to develop processes on their end to ensure staff are completing these correctly. The process will be added to program manager and supervisor orientation training and checklist.
2. Currently, the staff member completing the EARS timesheet entry and billing workbook completes a double check of data and ensure every line of hours matches timekeeping software (not just the total hours) . This will be added to the procedure.
3. At the time of hire notification, payroll staff will send an email to Program Manager to request clarification if new staff member will be completing EARS (timesheet) and verification that new staff member has the form and has been trained. This will also be added to the Staff Member Orientation checklist completed by supervisors.
4. Every two weeks, after the payroll clerk has completed the EARS checklist, the controller will verify that every staff member timesheet has been received and new or terminated staff members are noted on the checklist. A second page will be created on the checklist to account for staff members who do not complete EARS. Any changes (new or termed staff) will be accounted for so that we have a complete list of who completes EARS and which staff members do not.
5. At the end of fiscal calendar, controller will notify payroll staff creating the Billing Backup report with the new Fringe calculation to be added to the workbook. Controller will verify the fringe number is correct in the workbook before any billing begins for the new fiscal year. Payroll staff member will also add to staff calendar to ensure that information is received when creating the spreadsheet for the new fiscal period.

- The name of the contact person(s) responsible for the corrective actions: Kathleen Broadhurst, Senior Director of Finance, Cathy Fisher, Controller, and Dorothy Conn, Payroll Administrator.
- The corrective action planned: See above comments
- The anticipated completion date:
    - The internal process in the finance department will be completed December 31, 2022. The Program Manager meeting and education will be conducted in January 2023.