



SHELTERCARE AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2023 and 2022

Jones & Roth
CPAs & Business Advisors

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2023 and 2022

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INTRODUCTORY SECTION

SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2023

OFFICERS

Chair	Chris Page
Vice Chair	Sujata Sanghvi
Secretary	Melinda Grier
Past Chair	Dr. Tom Harburg

MEMBERS

Priscilla Gould
Dr. David DeHaas
Brad Smith
Jess Hobbs
Pat Farr
Jesse Elconin
Eric Van Houten
Gerry Gaydos
DeLeesa Meashintubby

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, 2023 and 2022, 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, 2023 and 2022, 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.

The Right People Beside You.

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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 22, 2024, 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.

A handwritten signature in cursive script that reads "Jones & Roth P.C.".

Jones & Roth, P.C.
Eugene, Oregon
January 22, 2024

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 274,343	\$ 732,012
Receivables:		
Grants and contracts receivable	665,561	672,322
Pledges receivable	-	3,333
Program services receivable, net of allowance of \$7,906 for 2023 and \$5,728 for 2022	71,156	51,554
Prepaid expenses and deposits	<u>163,373</u>	<u>189,445</u>
Total current assets	<u>1,174,433</u>	<u>1,648,666</u>
Property and equipment, net	<u>3,309,633</u>	<u>3,514,721</u>
Other assets		
Interest in net assets of ShelterCare Foundation	<u>899,144</u>	<u>914,318</u>
Total assets	<u>\$ 5,383,210</u>	<u>\$ 6,077,705</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 109,628	\$ 80,924
Payroll and related accruals	212,384	153,661
Line of credit	315,000	640,000
Current portion of long-term debt	65,413	63,103
Contract overpayment liability	473,574	647,879
Accrued vacation	131,754	130,159
Client deposits payable	<u>8,980</u>	<u>4,004</u>
Total current liabilities	<u>1,316,733</u>	<u>1,719,730</u>
Long-term liabilities		
Long-term debt, net of current portion	<u>1,061,027</u>	<u>1,125,988</u>
Total liabilities	<u>2,377,760</u>	<u>2,845,718</u>
Net assets		
Net assets without donor restrictions	2,635,702	2,557,000
Net assets with donor restrictions	<u>369,748</u>	<u>674,987</u>
Total net assets	<u>3,005,450</u>	<u>3,231,987</u>
Total liabilities and net assets	<u>\$ 5,383,210</u>	<u>\$ 6,077,705</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Federal assistance	\$ 1,756,402	\$ -	\$ 1,756,402
State and local assistance	3,287,590	-	3,287,590
Grants and contributions	451,333	100,000	551,333
In-kind contributions	19,225	-	19,225
Program service and contract revenue	1,219,535	-	1,219,535
Change in interest in net assets of ShelterCare Foundation	48,654	-	48,654
Interest income	1,454	-	1,454
Gain on sale of assets	3,700	-	3,700
Other income	290,458	-	290,458
Net assets released from restrictions	405,239	(405,239)	-
Total revenues, gains, and other support	7,483,590	(305,239)	7,178,351
Expenses			
Program services:			
Homeless services	4,969,507	-	4,969,507
Mental health services	550,905	-	550,905
Property management services	37,259	-	37,259
Total program services	5,557,671	-	5,557,671
Support services:			
General and administrative	1,615,839	-	1,615,839
Fundraising	289,486	-	289,486
Total support services	1,905,325	-	1,905,325
Total expenses	7,462,996	-	7,462,996
Change in net assets before discontinued operations	20,594	(305,239)	(284,645)
Discontinued operations			
Net income from Commons at MLK Program	58,108	-	58,108
Change in net assets after discontinued operations	78,702	(305,239)	(226,537)
Net assets, beginning of year	2,557,000	674,987	3,231,987
Net assets, end of year	\$ 2,635,702	\$ 369,748	\$ 3,005,450

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Federal assistance	\$ 4,660,925	\$ -	\$ 4,660,925
State and local assistance	2,761,220	-	2,761,220
Grants and contributions	1,451,703	586,588	2,038,291
In-kind contributions	11,710	-	11,710
Program service and contract revenue	1,199,635	-	1,199,635
Change in interest in net assets of ShelterCare Foundation	(48,020)	-	(48,020)
Interest income	146	-	146
Gain on sale of assets	3,540	-	3,540
Other income	149,726	-	149,726
Net assets released from restrictions	<u>65,836</u>	<u>(65,836)</u>	<u>-</u>
Total revenues, gains, and other support	<u>10,256,421</u>	<u>520,752</u>	<u>10,777,173</u>
Expenses			
Program services:			
Homeless services	7,408,787	-	7,408,787
Mental health services	543,918	-	543,918
Property management services	<u>82,393</u>	<u>-</u>	<u>82,393</u>
Total program services	<u>8,035,098</u>	<u>-</u>	<u>8,035,098</u>
Support services:			
General and administrative	1,568,677	-	1,568,677
Fundraising	<u>231,920</u>	<u>-</u>	<u>231,920</u>
Total support services	<u>1,800,597</u>	<u>-</u>	<u>1,800,597</u>
Total expenses	<u>9,835,695</u>	<u>-</u>	<u>9,835,695</u>
Change in net assets before discontinued operations	420,726	520,752	941,478
Discontinued operations			
Net income from Commons at MLK Program	<u>67,640</u>	<u>-</u>	<u>67,640</u>
Change in net assets after discontinued operations	488,366	520,752	1,009,118
Net assets, beginning of year	<u>2,068,634</u>	<u>154,235</u>	<u>2,222,869</u>
Net assets, end of year	<u>\$ 2,557,000</u>	<u>\$ 674,987</u>	<u>\$ 3,231,987</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (226,537)	\$ 1,009,118
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	304,607	293,401
Amortization of deferred financing fees	-	180
Gain on disposal of assets	(3,700)	(3,875)
Noncash change in interest in ShelterCare Foundation	(48,654)	48,020
Forgiveness of contract overpayment liability	(174,305)	-
Forgiveness of Paycheck Protection Program loan	-	(913,435)
(Increase) decrease in:		
Grants and contracts receivable	6,761	(264,062)
Pledges receivable	3,333	1,667
Program services receivable	(19,602)	10,820
Prepaid expenses and deposits	26,072	(9,436)
Increase (decrease) in:		
Accounts payable	28,704	12,625
Payroll and related accruals	58,723	(57,841)
Accrued interest payable	-	(11,187)
Deferred revenue (contract advance)	-	(269,686)
Accrued vacation	1,595	(17,058)
Client deposits payable	<u>4,976</u>	<u>500</u>
 Net cash used by operating activities	 <u>(38,027)</u>	 <u>(170,249)</u>
 Cash flows from investing activities		
Purchase of property and equipment	(99,519)	(112,090)
Proceeds from sale of property and equipment	3,700	3,875
Proceeds from interest in ShelterCare Foundation	<u>63,828</u>	<u>32,842</u>
 Net cash used by investing activities	 <u>(31,991)</u>	 <u>(75,373)</u>
 Cash flows from financing activities		
Proceeds from line of credit	1,900,000	3,712,000
Payments on line of credit	(2,225,000)	(3,255,000)
Proceeds from long-term debt	-	1,200,000
Principal payments on long-term debt	<u>(62,651)</u>	<u>(1,226,860)</u>
 Net cash provided (used) by financing activities	 <u>(387,651)</u>	 <u>430,140</u>

	<u>2023</u>	<u>2022</u>
Net increase (decrease) in cash and cash equivalents	(457,669)	184,518
Cash and cash equivalents, beginning of year	<u>732,012</u>	<u>547,494</u>
Cash and cash equivalents, end of year	<u>\$ 274,343</u>	<u>\$ 732,012</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 95,642</u>	<u>\$ 98,816</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, 2023

	Program Services										
	Homeless Services				Mental Health Services			Support Services			
	Emergency Shelter, HPP and Transitional Services				Crisis Respite and Intensive Residential Care			General and Administrative		Fundraising	Total Expenses
	Family Housing Program	Housing Services for Families	ShelterCare Supported Housing	Transitional Shelter & Case Management	Behavioral Health	Property Management Services	Total Program Services	General and Administrative	Fundraising	Total Expenses	
Salaries and wages	\$ 404,497	\$ 253,776	\$ 320,222	\$ 238,295	\$ 360,563	\$ 7,199	\$ 1,584,552	\$ 903,144	\$ 160,240	\$ 2,647,936	
Payroll taxes	32,153	15,481	25,432	18,533	27,197	386	119,182	74,893	9,989	204,064	
Health benefits	50,104	26,111	33,722	22,902	62,633	694	196,166	98,677	15,155	309,998	
Retirement plan expense	4,362	2,935	3,738	3,001	5,396	81	19,513	19,282	1,672	40,467	
Other fringe benefits	13,782	12,936	10,746	7,515	7,642	265	52,886	29,958	2,995	85,839	
Training	96	-	640	400	1,952	60	3,148	29,235	37	32,420	
Travel	2,897	3,861	12,075	15,522	2,857	287	37,499	1,964	2,802	42,265	
Client assistance	361,955	1,092,467	955,523	162,830	-	12,329	2,585,104	2,291	5,558	2,592,953	
Rent	8,757	3,241	970	-	-	-	12,968	2,001	-	14,969	
Utilities	51,428	9,078	4,542	14,151	3,459	355	83,013	19,765	3,158	105,936	
Telephone and cellular services	14,736	7,746	8,268	15,162	6,702	901	53,515	11,913	2,010	67,438	
Fundraising events	-	-	-	-	-	-	-	-	21,151	21,151	
Insurance	21,011	16,606	20,403	8,341	17,722	129	84,212	24,555	5,598	114,365	
Medical and professional services	13,432	2,773	11,610	2,286	23,122	6,255	59,478	120,495	6,007	185,980	
Repairs and maintenance	182,660	17,018	150,821	30,269	2,324	182	383,274	24,482	1,691	409,447	
Supplies	21,993	7,189	6,430	15,457	5,368	1,245	57,682	59,412	11,519	128,613	
Miscellaneous	30	-	1	-	-	5,166	5,197	14,980	24,030	44,207	
Interest	-	-	4,834	3,163	6,844	732	15,573	73,343	6,726	95,642	
Recruiting	63	16	16	5,263	-	-	5,358	1,965	25	7,348	
Bad debt expense	-	-	-	-	3,305	-	3,305	4,046	-	7,351	
Depreciation	101,776	25,312	36,885	17,261	13,819	993	196,046	99,438	9,123	304,607	
Total functional expenses	\$ 1,285,732	\$ 1,496,546	\$ 1,606,878	\$ 580,351	\$ 550,905	\$ 37,259	\$ 5,557,671	\$ 1,615,839	\$ 289,486	\$ 7,462,996	

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			Support Services		
	Emergency Shelter, HPP and Transitional Services				Crisis Respite and Intensive Residential Care			General and Administrative		Total
	Family Housing Program	Housing Services for Families	ShelterCare Supported Housing	Transitional Shelter & Case Management	Behavioral Health	Property Management Services	Total Program Services	Fundraising	Total Expenses	
Salaries and wages	\$ 344,095	\$ 447,769	\$ 378,542	\$ 136,834	\$ 340,627	\$ 10,242	\$ 1,658,109	\$ 857,217	\$ 146,835	\$ 2,662,161
Payroll taxes	26,357	22,983	28,775	10,522	24,613	515	113,765	66,990	8,471	189,226
Health benefits	50,723	54,118	47,736	5,871	63,148	444	222,040	101,099	10,617	333,756
Retirement plan expense	3,516	4,481	3,816	2,011	4,524	76	18,424	15,216	1,479	35,119
Other fringe benefits	4,423	16,942	4,959	1,695	1,771	124	29,914	6,571	296	36,781
Training	147	680	424	45	624	-	1,920	15,837	39	17,796
Travel	2,348	4,920	14,931	5,298	2,607	108	30,212	227	1,407	31,846
Client assistance	284,119	3,622,477	967,406	94,524	2	40,587	5,009,115	3,572	-	5,012,687
Rent	9,428	2,669	5,820	-	-	-	17,917	1,992	-	19,909
Utilities	51,860	8,792	2,726	9,025	6,223	837	79,463	22,725	2,591	104,779
Telephone and cellular services	12,755	6,285	10,451	9,871	8,228	367	47,957	9,657	1,449	59,063
Fundraising events	-	-	-	-	-	-	-	-	10,033	10,033
Insurance	21,502	20,237	18,972	6,324	15,177	-	82,212	19,601	5,059	106,872
Medical and professional services	17,734	3,828	15,572	1,364	42,044	7,502	88,044	96,390	7,835	192,269
Repairs and maintenance	166,321	15,715	134,402	43,398	3,013	18,109	380,958	32,298	1,255	414,511
Supplies	25,306	8,353	7,702	2,982	6,346	1,680	52,369	41,627	6,410	100,406
Miscellaneous	72	-	-	-	-	-	72	42,182	17,781	60,035
Interest	-	-	1,863	1,414	8,913	181	12,371	82,742	3,734	98,847
Recruiting	34	-	20	-	-	-	54	13,708	-	13,762
Bad debt expense	-	-	-	-	-	493	493	41,943	-	42,436
Depreciation	84,847	51,490	30,824	5,342	16,058	1,128	189,689	97,083	6,629	293,401
Total functional expenses	\$ 1,105,587	\$ 4,291,739	\$ 1,674,941	\$ 336,520	\$ 543,918	\$ 82,393	\$ 8,035,098	\$ 1,568,677	\$ 231,920	\$ 9,835,695

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, Homeless Prevention & Rehousing (HPR), 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 Homeless Prevention & Rehousing program (HPR), 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.

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, 2023, ShelterCare implemented the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, using the modified retrospective approach, with July 1, 2022 as the date of initial application. The most significant change in the new leasing guidance is the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. ShelterCare elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed ShelterCare to carry forward the historical lease classification for existing leases. ShelterCare elected the practical expedient to use hindsight in determining the lease term for existing leases. ShelterCare also elected to not apply the recognition requirements in ASC Topic 842 to short-term leases (leases with terms of twelve months or less). Adoption of the new standard did not have a material impact on ShelterCare's 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 savings and checking accounts, money market funds and petty cash.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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.

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.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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.

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, 2023 and 2022, the fair value of ShelterCare's beneficial interest in the net assets of ShelterCare Foundation was \$899,144 and \$914,318, 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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

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.

Leases

ShelterCare assesses whether an arrangement qualifies as a lease at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the arrangement are changed.

ShelterCare has elected the short-term lease recognition exemption for all classes of underlying assets. Leases with an initial term of twelve months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. When the implicit rate is not readily determinable for ShelterCare's leases, management has elected to use the risk-free rate at the commencement date for all classes of underlying assets in determining the present value of lease payments. For agreements with lease and non-lease components, ShelterCare has elected not to separately account for lease and non-lease components.

2. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 874,436	\$ 874,436
Buildings and improvements	5,074,560	5,067,760
Equipment and furnishings	257,402	224,860
Other property	<u>402,806</u>	<u>366,155</u>
	6,609,204	6,533,211
Accumulated depreciation	<u>(3,299,571)</u>	<u>(3,018,490)</u>
Property and equipment, net	<u>\$ 3,309,633</u>	<u>\$ 3,514,721</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$304,607 and \$293,401, 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, 2023 and 2022, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 914,318	\$ 995,179
Change in fair market value	49,618	(57,389)
Interest and dividend reinvested	5,866	6,230
Endowment contribution	-	10,000
Distributions to ShelterCare	(63,828)	(32,842)
Expenses	<u>(6,830)</u>	<u>(6,860)</u>
Balance, end of year	<u>\$ 899,144</u>	<u>\$ 914,318</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 8.25 percent and 4.75 percent as of June 30, 2023 and 2022, respectively. The balance on the line of credit at June 30, 2023 and 2022 was \$315,000 and \$640,000, respectively. 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, 2023 and 2022, was \$53,395 and \$23,643, respectively.

5. Long-Term Debt

ShelterCare had 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 percent commencing October 1, 2011. The note required a balloon payment for the full amount due 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, 2023 and 2022, the note balance was \$1,126,440 and \$1,189,091, respectively. The note is subject to affirmative covenants including financial reporting and financial ratio requirements.

Total interest expense for the notes for the years ended June 30, 2023 and 2022, was \$42,247 and \$69,415, respectively, of which \$-0- and \$180, respectively, were for amortization of the deferred financing fees.

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

<u>Year Ending June 30,</u>	
2024	\$ 65,413
2025	67,807
2026	70,288
2027	72,861
2028	75,528
Thereafter	<u>774,543</u>
Total	<u>\$ 1,126,440</u>

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 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. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Support restricted to the Behavioral Health Program	\$ 23,655	\$ 38,868
Support restricted to ShelterCare Medical Recuperation	-	8,000
Support restricted to Eviction Intervention Program	-	4,777
CDBG grant for SMR capital improvements	96,093	111,675
Support restricted for behavioral health, mental health and/or homelessness prevention programs	250,000	500,000
Support restricted for staff retention efforts	-	6,667
Support with other restrictions	-	5,000
Total net assets with donor restrictions	<u>\$ 369,748</u>	<u>\$ 674,987</u>

8. Program Service Revenue and Receivables

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

	<u>2023</u>	<u>2022</u>
Medicaid – Title XIX	\$ 431,043	\$ 488,309
Homeless medical respite	441,168	371,588
Rent, program, and other fees	<u>347,324</u>	<u>340,101</u>
Total program service and contract revenue	<u>\$ 1,219,535</u>	<u>\$ 1,199,998</u>

The balance for program services receivable, net of the allowance for doubtful accounts at July 1, 2022 and July 1, 2021 was \$51,544 and \$62,374, respectively. The balance of deferred revenue (contract liability) for program services at July 1, 2022 and July 1, 2021 was \$-0- and \$269,686, respectively. Amounts reported as contract liability were included in revenue for the following fiscal year.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Donated Goods and Services

ShelterCare's in-kind contributions consisted of donated goods to be used within the organization or held for future use. The value of these was \$19,225 and \$11,710 for the years ended June 30, 2023 and 2022, respectively.

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 \$15,538 and \$14,376 for the years ended June 30, 2023 and 2022, respectively.

10. Related Party Transactions

ShelterCare provides administrative, management, and maintenance services to DH, Incorporated, Afiya Apartments, Inc., and River Kourt Apartments, which are affiliated due to some shared Board members. ShelterCare also became the management agent for the three entities effective May 1, 2023. Additionally, ShelterCare has been authorized by the Board of Directors of the organizations to provide oversight for the properties and the management agent.

For the years ended June 30, 2023 and 2022, ShelterCare recognized revenue for services provided to DH, Incorporated of \$50,470 and \$200, respectively. Additionally, during the year ended June 30, 2023, ShelterCare made advances to DH, Incorporated to cover operating costs due to the entity experiencing cash flow delays. No interest is charged on the operating advances. At June 30, 2023 and 2022, the total amount receivable from DH, Incorporated was comprised of the following:

	2023	2022
Services and reimbursements	\$ 50,470	\$ 200
Operating advances	55,000	-
Total receivable due from DH, Incorporated	\$ 105,470	\$ 200

For the years ended June 30, 2023 and 2022, ShelterCare recognized revenue for services provided to Afiya Apartments, Inc. of \$40,030 and \$267, respectively. At June 30, 2023 and 2022, the total amount receivable from Afiya Apartments, Inc. was comprised of the following:

	2023	2022
Services and reimbursements	\$ 40,030	\$ 267

For the years ended June 30, 2023 and 2022, ShelterCare recognized revenue for services provided to River Kourt Apartments of \$63,064 and \$305, respectively. Additionally, during the year ended June 30, 2023, ShelterCare made advances to River Kourt to cover operating costs due to the entity experiencing cash flow delays. No interest is charged on the operating advances. At June 30, 2023 and 2022, the total amount receivable from River Kourt Apartments was comprised of the following:

	2023	2022
Services and reimbursements	\$ 63,064	\$ 305
Operating advances	37,908	-
Total receivable due from River Kourt Apartments	\$ 100,972	\$ 305

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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 \$73,471 and \$559,192 at June 30, 2023 and 2022, 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 53 percent and 84 percent of ShelterCare's grants and contracts receivable were due from one government agency at June 30, 2023 and 2022, respectively. The balance of program service receivables was comprised almost entirely of receivables from two agencies at June 30, 2023 and 2022.

12. 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 \$42,425 and \$38,880 for the years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, \$11,480 and \$10,110, 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.

13. 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, 2023 and 2022, ShelterCare did not make a contribution to the HRA.

14. 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, 2023 and 2022, \$96,093 and \$111,675, 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 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Contingent Liabilities, continued

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, 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.

15. 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:

	2023	2022
Cash and cash equivalents	\$ 274,343	\$ 732,012
Receivables:		
Grant and contract receivable, net	665,561	672,322
Program services receivable, net	71,156	51,554
Pledges receivable, current portion	-	3,333
	1,011,060	1,459,221
Less amounts with donor restrictions	(273,655)	(563,312)
Financial assets available for general expenditure	\$ 737,405	\$ 895,909

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.

16. Contract Overpayment Liability

ShelterCare's contracts with Oregon Department of Human Services (DHS) are subject to a bi-annual settlement process completed by Oregon DHS. In a prior year, ShelterCare was informed by Oregon 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 and an additional contract overpayment liability was also accrued for that biennium. During the year ended June 30, 2023, Oregon DHS forgave a portion (\$174,305) of the amount that was due for the contract overpayment. The amount forgiven is reported as other income. The settlement and negotiation process for the final amount that will be paid back to Oregon DHS has not been finalized.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Discontinued Operations

ShelterCare had a contract with Lane County to provide services for The Commons at MLK program. The contract expired December 31, 2022 and was not renewed by ShelterCare. As the Commons at MLK program is no longer part of ShelterCare's operations, the change in net assets from the operations for The Commons at MLK program for the fiscal years ended June 30, 2023 and 2022 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.

18. 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, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing 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: Emergency Solutions Grant Program	14.231	55842	\$ 48,909
Passed-through Lane County, Oregon: Continuum of Care Program:	14.267		
Shankle Program		55931	132,482
McKenzie Rapid Rehousing		55576	295,129
Rapid Rehousing Cascades		55577	49,027
Camas Permanent Housing		55578	190,843
Sahalie Permanent Housing		55580	213,054
Commons at MLK		55354	<u>188,991</u>
Total passed-through Lane County, Oregon			1,069,526
Passed-through Homes For Good: Continuum of Care Program:	14.267		
Madrone			<u>85,215</u>
Total Continuum of Care Program			<u>1,154,741</u>
Total U.S. Department of Housing and Urban Development			1,203,650
U.S. Department of the Treasury			
Passed-through Lane County, Oregon: COVID-19 Emergency Rental Assistance Emergency Rental Assistance Program	21.023	55558	710,475
Passed-through Lane County, Oregon: ARPA Coronavirus State and Local Fiscal Recovery Funds	21.027	57496	<u>26,268</u>
Total U.S. Department of the Treasury			736,743
U.S. Department of Homeland Security			
Passed-through Lane County, Oregon: Emergency Food and Shelter National Board Program	97.024		<u>5,000</u>
Total federal award expenditures			<u>\$ 1,945,393</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

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, 2023. 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, 2023, 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 22, 2024.

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.

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.
Eugene, Oregon
January 22, 2024

**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
Eugene, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ShelterCare'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's major federal programs for the year ended June 30, 2023. ShelterCare'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 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, 2023.

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 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'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's federal programs.

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'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'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'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'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'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

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

A handwritten signature in cursive script that reads "Jones & Roth P.C.".

Jones & Roth, P.C.
Eugene, Oregon
January 22, 2024

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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.
- No 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 the 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 Assistance Listing # 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.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.

SHELTERCARE AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

Prior Year Findings - Consolidated Financial Statements Audit

None.

Prior Year 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.

2023 Follow-up: Resolved.