

SHELTER SOLANO, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2019

SHELTER SOLANO, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SHELTER SOLANO, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of Shelter Solano, Inc., a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter Solano, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2020, on our consideration of Shelter Solano, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shelter Solano, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelter Solano, Inc.'s internal control over financial reporting and compliance.



Tryna Accountancy Corporation

Oakland, California

February 27, 2020

SHELTER SOLANO, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 271,931	\$ -	\$ 271,931
Receivables	312,538	-	312,538
Prepaid expenses	1,218	-	1,218
Total current assets	<u>585,687</u>	<u>-</u>	<u>585,687</u>
Total assets	<u><u>585,687</u></u>	<u><u>-</u></u>	<u><u>585,687</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	238,102	-	238,102
Related-party payable	21,023	-	21,023
Total current liabilities	<u>259,125</u>	<u>-</u>	<u>259,125</u>
Total liabilities	<u>259,125</u>	<u>-</u>	<u>259,125</u>
NET ASSETS			
Without donor restrictions	326,562	-	326,562
With donor restrictions	-	-	-
Total net assets	<u>326,562</u>	<u>-</u>	<u>326,562</u>
Total liabilities and net assets	<u><u>\$ 585,687</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 585,687</u></u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Grant income	\$ 1,031,534	\$ -	1,031,534
Other income	3,645	-	3,645
Total revenue	<u>1,035,179</u>	<u>-</u>	<u>1,035,179</u>
OPERATING EXPENSES			
Program services	524,893	-	524,893
Management and general	159,184	-	159,184
Fundraising	24,540	-	24,540
Total expenses	<u>708,617</u>	<u>-</u>	<u>708,617</u>
Operating income (loss)	<u>326,562</u>	<u>-</u>	<u>326,562</u>
Change in net assets	326,562	-	326,562
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 326,562</u>	<u>\$ -</u>	<u>\$ 326,562</u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 383,562	\$ 147,978	\$ 22,820	\$ 554,360
Payroll taxes	28,826	11,206	1,720	41,752
Rent and other client assistance	27,047	-	-	27,047
Repairs and maintenance	11,786	-	-	11,786
Professional fees	5,955	-	-	5,955
Administrative expenses	67,717	-	-	67,717
Depreciation and amortization	-	-	-	-
Total expenses	\$ <u>524,893</u>	\$ <u>159,184</u>	\$ <u>24,540</u>	\$ <u>708,617</u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	326,562
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		-
(Increase) decrease in operating assets:		
Accounts receivable		(312,538)
Prepaid expenses		(1,218)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		238,102
		<hr/>
Net cash provided (used) in operating activities		250,908

CASH FLOWS FROM FINANCING ACTIVITIES

Cash received from (paid to) related parties		<hr/> 21,023
Net cash provided (used) in financing activities		<hr/> 21,023
Net change in cash and cash equivalents		271,931

Cash and cash equivalents, beginning of the year		
Unrestricted cash and cash equivalents		-
Restricted cash and cash equivalents		-
		<hr/>
Total cash and cash equivalents, beginning of the year		-

Cash and cash equivalents, end of the year		
Unrestricted cash and cash equivalents		271,931
Restricted cash and cash equivalents		-
		<hr/>
Total cash and cash equivalents, end of the year	\$	<hr/> <hr/> 271,931

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

NOTES TO FINANCIAL STATEMENTS

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

Nature of Activities

Shelter Solano, Inc. (SSI) a California nonprofit public benefit corporation, was formed on November 20, 2018 with the mission of providing an emergency shelter.

SSI is a year-round emergency shelter located on serving the community in Solano County. SSI meets the emergency housing needs of individuals and families with accommodations including dormitory style rooms, family-sized rooms, and separate apartment-style units. Participants at SSI receive intensive case management, housing assistance, life skills and wellness programs, vocational and employment services, and educational programs.

Members of the board of directors of SSI also serve on the board of directors of SHELTER, Inc. (SHELTER), a nonprofit social service agency and operator of affordable housing. All board members serve without compensation.

Basis of Accounting

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

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, SSI adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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

Financial Statement Presentation

Financial statement presentation follows the requirement of the Financial Accounting Standard Board. Under *FASB ASC 958*, SSI is required to report information regarding its financial position and activities according to three classes of net assets: with donor restrictions and without donor restrictions.

Net Assets without donor restrictions consist of all resources not subject to donor-imposed restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Net Assets with donor restrictions consist of resources subject to donor-imposed stipulations that may be fulfilled by actions of SSI to meet the stipulations or that become unrestricted at the date specified by the donor. The donor-restricted assets are resources for (a) support of specific operating activities; (b) investment for specified term; (c) use in a specific future period; or (d) acquisition of long-lived assets.

None of SSI's net assets are subject to donor-imposed restrictions other than the purpose for which SSI was created. Accordingly, all net assets are accounted for as net assets with donor restrictions.

Use of Estimates

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

Functional Allocation of Expenses

The costs of the programs and supporting services have been reported on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on the percentage of total salaries within each department.

Cash and Cash Equivalents

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

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

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

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Building	30 to 40 years
Building improvements	10 to 30 years
Furniture and equipment	5 to 10 years

Income Taxes

SSI is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701 (d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended June 30, 2019.

Note 2. Concentration of Credit Risk

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Concentrations of credit risk financial instruments which potentially subject SSI to concentrations of credit risk consist principally of cash investments and account receivable. At times, a portion of these cash investments may not be insured by Federal Deposit Insurance Corporation. The potential concentration of credit risk pertaining to temporary cash investments will vary throughout the year depending upon the level of cash deposits versus amounts insured. SSI is maintaining all deposits in high quality financial institutions. As of June 30, 2019, all amount were insured.

Note 3. Liquidity and Availability of Financial Assets

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

Cash and cash equivalents	\$ 271,931
Account receivable	<u>312,538</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 584,469</u>

SSI is supported by grants without donor restrictions, so all the current cash and receivable are available for the current operation expense.

Note 4. Related Party Transactions

Related party transactions include the following fees and charges:

	<u>Payable</u>		<u>Charges</u>		<u>Payment</u>
Management fees	\$	-	\$	-	\$ -
Bookkeeping fees		-		-	-
Wages and benefits		-	608,771		(608,771)
Miscellaneous operating advances		-	<u>30,786</u>		<u>(30,786)</u>
Total	\$	<u>-</u>	\$ <u>639,557</u>	\$	<u>(639,557)</u>

Operating advances represent the SSI's payroll and related expenses, and various repairs and maintenance expenses from an affiliate, SHELTER, Inc.

Note 5. Subsequent Events

In accordance with ASC 855, Subsequent Events topic, the Organization evaluated subsequent events for recognition and disclosure through February 27, 2020, the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in such financial statements.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
SHELTER SOLANO, INC.

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 financial statements of Shelter Solano, Inc. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelter Solano, Inc.'s 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Tryna Accountancy Corporation

Oakland, California
February 27, 2020