



SHELTER SOLANO, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

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, 2021, 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, 2021, 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 March 04, 2022, 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.



Iryna Accountancy Corporation

Oakland, California

March 04, 2022

SHELTER SOLANO, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,912,753	\$ -	\$ 2,912,753
Receivables	260,536	-	260,536
Prepaid expenses	-	-	-
Inventory	3,092	-	3,092
Total current assets	3,176,381	-	3,176,381
Property and equipment, net	843,476	-	843,476
Total assets	<u>4,019,857</u>	<u>-</u>	<u>4,019,857</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	679,881	-	679,881
Deferred revenue	1,723,550	-	1,723,550
Related-party payable	1,439,178	-	1,439,178
Total current liabilities	3,842,609	-	3,842,609
Total liabilities	3,842,609	-	3,842,609
NET ASSETS			
Without donor restrictions	177,248	-	177,248
With donor restrictions	-	-	-
Total net assets	177,248	-	177,248
Total liabilities and net assets	<u>\$ 4,019,857</u>	<u>\$ -</u>	<u>\$ 4,019,857</u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Grant income	\$ 1,306,126	\$ -	\$ 1,306,126
Donations	47,509	-	47,509
In-kind contribution	600	-	600
Program revenue	<u>34,765</u>	<u>-</u>	<u>34,765</u>
Total revenue	<u>1,389,000</u>	<u>-</u>	<u>1,389,000</u>
OPERATING EXPENSES			
Program services	1,450,565	-	1,450,565
Management and general	-	-	-
Fundraising	<u>1,245</u>	<u>-</u>	<u>1,245</u>
Total expenses	<u>1,451,810</u>	<u>-</u>	<u>1,451,810</u>
Operating income (loss)	<u>(62,810)</u>	<u>-</u>	<u>(62,810)</u>
Change in net assets	(62,810)	-	(62,810)
Net assets, beginning of year	<u>240,058</u>	<u>-</u>	<u>240,058</u>
Net assets, end of year	<u>\$ 177,248</u>	<u>\$ -</u>	<u>\$ 177,248</u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total
Wages and salaries	\$ 853,880	\$ -	\$ -	\$ 853,880
Payroll taxes	-	-	-	-
Employee benefits	211,019	-	-	211,019
Rent and other client assistance	131,912	-	-	131,912
Repairs and maintenance	63,827	-	-	63,827
In-kind expenses	-	-	224	224
Travel and conference cost	9,487	-	-	9,487
Accounting fees	12,300	-	-	12,300
Other professional fees	8,955	-	-	8,955
Office expenses	22,969	-	426	23,395
Occupancy expenses	115,205	-	-	115,205
Insurance	19,354	-	-	19,354
Taxes, licenses and dues	157	-	-	157
Depreciation and amortization	1,500	-	-	1,500
Cost of special events	-	-	595	595
Total expenses	\$ <u>1,450,565</u>	\$ <u>-</u>	\$ <u>1,245</u>	\$ <u>1,451,810</u>

See Independent Auditor's Report and Accompanying Notes.

SHELTER SOLANO, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (62,810)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation and amortization	1,500
(Increase) decrease in operating assets:	
Receivables	127,159
Prepaid expenses	2,008
Inventory	(376)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	382,555
Deferred revenue	1,723,550
Net cash provided (used) in operating activities	2,173,586

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase, net of disposal of property and equipment	(738,976)
Net cash provided (used) in investing activities	(738,976)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash received from (paid to) related parties	1,404,082
Net cash provided (used) in financing activities	1,404,082
Net change in cash and cash equivalents	2,838,692

Cash and cash equivalents, beginning of the year	
Unrestricted cash and cash equivalents	74,061
Restricted cash and cash equivalents	-
Total cash and cash equivalents, beginning of the year	74,061

Cash and cash equivalents, end of the year	
Unrestricted cash and cash equivalents	2,912,753
Restricted cash and cash equivalents	-
Total cash and cash equivalents, end of the year	\$ 2,912,753

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.

Adopted Accounting Pronouncement

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

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

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.

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 two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment. There were no board-designated net assets as of June 30, 2021.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no donor-imposed restrictions temporary or perpetual in nature as of June 30, 2021.

Revenue Recognition

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

SSI recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2021, contributions approximating \$398,969, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The total conditional contribution is contingent upon appropriate use of funds.

Functional Allocation of Expenses

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

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, 2021.

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.

Contributions In-kind

Donated equipment and other donated goods are recorded at their estimated fair market value on the day of donation. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by SSI.

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, 2021, amount of \$2,664,785 were uninsured.

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	\$ 2,912,753
Receivables	<u>260,536</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u><u>3,173,289</u></u>

SSI is supported by grants without donor restrictions, so all the current cash and receivable are available for the current operation expense. SSI has a goal to maintain sufficient financial assets on hands, which consists of cash and receivables. SSI's program activity is funded by expense reimbursement contracts, primarily. Based on projected estimate, SSI has sufficient liquid assets to cover its current liabilities.

Note 4. Related Party Transactions

Related party transactions include the following fees and charges:

	<u>Payable</u>	<u>Charges</u>
Wages and benefits	\$ -	\$ 466,131
Insurance	-	95,849
Indirect allocation	-	35,664
Miscellaneous operating advances	<u>-</u>	<u>674,041</u>
Total	\$ <u>-</u>	\$ <u><u>1,271,685</u></u>

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

Note 5. Property and equipment

Property and equipment for the year ended June 30, 2021 is summarized as follows:

Construction in progress	\$ 838,976
Furniture and equipment	5,000
Vehicles	<u>2,500</u>
Total property and equipment	846,476
Less: accumulated depreciation	<u>(3,000)</u>
Total property and equipment (net)	\$ <u><u>843,476</u></u>

Depreciation expense for the year ended June 30, 2021 is \$1,500. Substantially all the property and equipment are used to provide affordable housing.

Note 6. Contingencies

Conditions contained within the various contracts awarded to SSI are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, SSI could be held responsible for repayments to the funding agency or be subject to reductions of future funding. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

Note 7. Subsequent Events

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



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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, 2021, 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 March 04, 2022.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Iryna Accountancy Corporation

Oakland, California

March 04, 2022

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