SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY SCHEDULE
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2022

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

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(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SHELTER, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Shelter, Inc., a California nonprofit public benefit corporation (SHELTER), and its affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Correction of Errors

As discussed in Note 11 to the consolidated financial statements, certain errors resulting in a misstatement of the Organization's previously issued consolidated financial statements for the year ended June 30, 2021, were identified. Accordingly, adjustments have been made to current amounts reported in the accompanying consolidated financial statements as of June 30, 2021, to correct the errors. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 the Organization'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 the Organization'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
May 5, 2023

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30,	2022
Assets	
Current assets	
Cash and cash equivalents	$ 421,142
Contracts receivable	7,456,106
Receivables - rental, net	274,580
Contributions receivable	160,415
Inventory	156,441
Prepaid expenses	122,190
In-kind use of building, current	52,509
Tenant security deposits	18,023
Total current assets	8,661,406
Restricted cash	
Operating reserves	8,974
Replacement reserves	148,632
COVID- CDBG CV CCC	3,182,630
Other reserves	14,172
Total restricted cash	3,354,408
Property and equipment, net	8,235,338
In-kind use of building, net of current portion	1,982,219
Contributions receivable, net of current portion	150,000
Investments	3,045,136
Landlord deposits - net	370,916
Total assets	$ 25,799,423

See accompanying notes to consolidated financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30,	2022
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 1,647,849
Construction costs payable	1,219,103
Deferred revenue	3,202,730
Line of credit	700,000
Lease payable - current	12,236
Tenant security deposits	162,931
Current portion of accrued interest payable	11,726
Current portion of notes payable	86,064
Total current liabilties	7,042,639
Notes payable secured by real estate, net of current portion and unamortized debt issuance costs	4,470,103
Accrued interest payable, net of current portion	415,123
Total other liabilities	4,885,226
Total liabilities	11,927,865
Net assets	
Without donor restrictions	
Undesignated	7,199,340
Board designated funds	3,025,882
Total net assets without donor restrictions	10,225,222
Net assets with donor restrictions	3,646,336
Total net assets	13,871,558
Total liabilities and net assets	$ 25,799,423

See accompanying notes to consolidated financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Private contributions (corporate, foundation and individuals)	$ 7,243,395	$ 1,152,800	$ 8,396,195
Government contracts and grants	19,223,923	-	19,223,923
Contributed goods and services (Note 2)	215,886	-	215,886
Revenue from special events	1,589	-	1,589
Less: cost of special events	(6,262)	-	(6,262)
Total public support and revenues	26,678,531	1,152,800	27,831,331
Other revenues			
Rental revenue	1,380,187	-	1,380,187
Other income	92,257	-	92,257
Interest income	4,301	-	4,301
Total other revenues	1,476,745	-	1,476,745
Net assets released from restrictions	1,094,565	(1,094,565)	-
Total public support and revenues, other revenues and net assets released from restrictions	29,249,841	58,235	29,308,076
Expenses			
Program service	17,123,535	-	17,123,535
Management and general	3,479,454	-	3,479,454
Fundraising	681,849	-	681,849
Total expenses	21,284,838	-	21,284,838
Changes in net assets from operations	7,965,003	58,235	8,023,238
Non-operating activities			
Net realized and unrealized loss on investments	(2,206,926)	-	(2,206,926)
Total non-operating activities	(2,206,926)	-	(2,206,926)
Change in net assets	5,758,077	58,235	5,816,312
Net assets, beginning of year, as originally reported	5,357,102	1,500,864	6,857,966
Prior period adjustments (Note 11)	(889,957)	2,087,237	1,197,280
Net assets, beginning of year, as restated	4,467,145	3,588,101	8,055,246
Net assets, end of year	$ 10,225,222	$ 3,646,336	$ 13,871,558

See accompanying notes to consolidated financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30,				2022
	Program Services	General and Administrative	Fundraising	Total
Operating expenses				
Salaries, taxes, and benefits	$ 6,992,174	$ 1,648,776	$ 570,251	$ 9,211,201
Direct client assistance	8,694,804	-	-	8,694,804
Repairs and maintenance	508,990	34,743	-	543,733
Travel and conference cost	66,969	75,828	2,330	145,127
Professional and legal fees	126,181	358,931	24,910	510,022
Office expenses	220,165	236,566	52,052	508,783
Utilities	14,109	93,390	-	107,499
Rent	79,361	14,400	-	93,761
Property taxes and insurance	183,500	80,596	-	264,096
Advertising	-	99,461	32,306	131,767
Other operating expenses	86,307	12,201	-	98,508
Homeowners' dues	-	68,977	-	68,977
Bad debt expenses	-	566,626	-	566,626
Interest expense	39,476	96,657	-	136,133
Depreciation and amortization	111,499	92,302	-	203,801
Total expenses by function	17,123,535	3,479,454	681,849	21,284,838
Less expenses included with revenues:				
Cost of direct benefits to donors	-	-	(6,262)	(6,262)
Total expenses in the statement of activities	$ 17,123,535	$ 3,479,454	$ 675,587	$ 21,278,576

See accompanying notes to consolidated financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,	2022
Cash flows from operating activities	
Change in net assets	$ 5,816,312
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	203,801
Contribution of stock	(5,196,936)
Amortization of debt issuance costs	328
In-kind use of building	52,509
Unrealized loss on investments	2,207,218
Sale of contributed stock	6,211
Provision for bad debt expense	566,626
Changes in operating assets and liabilities	
Contracts receivable	(3,355,050)
Receivables - rental	(50,235)
Inventory	(66,747)
Prepaid expenses and other assets	5,319
Contributions receivable	(309,835)
Landlord deposits - net	(58,308)
Accounts payable and accrued liabilities	156,027
Interest payable	15,907
Deferred revenue	(1,172,462)
Tenant deposit liabilities	2,610
Net used in operating activities	(1,176,705)
Cash flows from investing activities	
Expenditures for property	(2,333,778)
Net cash used in investing activities	(2,333,778)
Cash flows from financing activities	
Receipt of line of credit	700,000
Payment of line of credit	(675,000)
Payment of lease payable	(23,366)
Payment of notes payable	(81,966)
Net cash used in financing activities	(80,332)
Net change in cash, cash equivalents and restricted cash	(3,590,815)
Cash, cash equivalents and restricted cash at beginning of year	7,384,388
Cash, cash equivalents and restricted cash at end of year	$ 3,793,573

See accompanying notes to consolidated financial statements.

SHELTER, INC.
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,	2022
Supplemental information	
Interest paid	$ 113,037
Supplemental disclosure of cash, cash equivalents, and restricted cash	
Cash and cash equivalents	$ 421,142
Restricted cash:	
Operating reserves	8,974
Replacement reserves	148,632
COVID- CDBG CV CCC	3,182,630
Other reserves	14,172
Tenant security deposits	18,023
Cash, cash equivalents, and restricted cash	$ 3,793,573

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

SHELTER, Inc. (SHELTER) was incorporated as a California nonprofit public benefit corporation on November 17, 1986. The Board of Supervisors' Contra Costa County Task Force on Homelessness created SHELTER, Inc. and it serves as the primary service agency for homeless individuals and families in Contra Costa County, California. The mission of SHELTER is to prevent and end homelessness among low-income residents of Contra Costa County by providing resources that lead to self-sufficiency.

SHELTER wholly owns and operates the following:

Wholly Owned Properties	Number of Units
2223 Barrett Ave, Richmond, California (Barrett Apartments)	5
1859 Clayton Way, Concord California (Mary McGovern House)	7
1320 Peach Street, Martinez, California (Peach Street Apartments)	3
415, 417, 419 East Santa Fe Ave, Pittsburg, California	4
935 East Street, Pittsburg, California	8
Total units	27

Affiliate nonprofit organizations are individually incorporated under the laws of the State of California and have common Boards of Directors and are centrally managed by SHELTER's management. Accordingly, the assets, liabilities, support, revenue, and expenses of the following affiliate organizations are consolidated in the financial statements of SHELTER (collectively, the Organization):

- **Affordable Housing Association of Pittsburg (AHAP)** Operates a 20-unit affordable housing complex located in Pittsburg, California, originally financed by a mortgage loan held by the U.S. Department of Housing and Urban Development (HUD) under the provisions of Section 236 of the National Affordable Housing Act. The loan has since been paid off. AHAP also receives Section 8 housing assistance payments from HUD under a contract that renews annually.

- **New Century Center (NCC)** Operates a 12-unit affordable housing complex located in Concord, California, financed by a mortgage loan held by HUD in accordance with Section 223(f) of the National Affordable Housing Act. NCC also receives funds from HUD through the County of Contra Costa as is governed by a HOPWA loan agreement.

- **SHELTER Solano, Inc. (SSI)** Operates a year-round emergency shelter located in Solano County, California, under the terms of a Management Plan with the City of Fairfield Housing Authority (FHA), to meet 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. See Note 9.

Description of Programs The Organization's work encompasses three main elements:

- **Preventing Homelessness:** Prevention is a cost-effective and humane strategy for addressing the needs of families and individuals who are at-risk of homelessness, usually as a result of an unexpected event which temporarily makes them unable to meet their rent obligations. Depending on their level of risk, households are offered individualized financial assistance either on a one-time basis, or referred to other short-term programs (typically 3 to 12 months) to provide increasing support as individuals and families stabilize their housing and develop resources for greater financial self-sufficiency.

- **Ending the Cycle of Homelessness:** The Organization provides homeless families and individuals with interim and permanent housing opportunities and services to help them regain housing and increased self-sufficiency. This Housing First approach is designed to help reduce the incidences and duration of homelessness for low-income and disadvantaged people who are eligible under a variety of publicly funded housing programs. Services that are critical to success include one-on-one case management, housing search assistance, employment services, education, mental health counseling, and budgeting guidance.

- **Providing Affordable Housing:** Affordable housing means having a safe place to live at a price you can afford. It currently takes 4.5 full-time minimum wage jobs to afford a two-bedroom apartment in Contra Costa County. SHELTER owns and master leases units that offer safe, quality rental units at affordable rents or which are subsidized for eligible program participants to increase the stock of units accessible to vulnerable families and individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of SHELTER and its affiliate nonprofit organizations. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

Classes of Net Assets Net assets of the Organization and changes therein are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets have been classified and are reported as follows:

Net Assets Without Donor Restrictions:

- ***Undesignated*** - the part of the net assets of the Organization that are not restricted by donor-imposed stipulations. The only limits on net assets without donor restrictions are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

- ***Board Designated Funds*** **-** The board of directors can designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment. The Organization had $3,025,882 designated by the Board on June 30, 2022.

Net Assets With Donor Restrictions – the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. 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 that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which donor-imposed restrictions are satisfied within the same fiscal year are reflected as without donor restrictions in the accompanying consolidated statement of activities and change in net assets.

Cash and Cash Equivalents For purposes of the consolidated statement of financial position and cash flows, cash consists of cash and cash equivalents and highly liquid unrestricted investments with an original maturity of three months or less when purchased.

Restricted Cash Funds restricted as to their use, regardless of liquidity, such as security deposits, replacement reserves, operating reserves, residual receipts and mortgage impound deposits. The Organization is required to maintain operating and replacement reserves in accordance with various regulatory agreements.

Investments Investments in marketable securities are recorded at fair value based on quoted prices in active markets in the consolidated statement of financial position, with realized and unrealized gains and losses included in the consolidated statement of activities and change in net assets. Realized gains and losses are determined using the specific identification method and are recorded on their respective trade date. Net unrealized appreciation (depreciation) on investments is reported as increases or decreases in net assets without donor restriction in the consolidated statement of activities and change in net assets for changes in the difference between the recorded cost of the investment and the fair value of the investment at the consolidated financial statement date. Dividend and interest income are recorded when earned.

Investment income comprises interest and dividend income, net realized and unrealized gains (losses) on investments, net of investment expenses, and is included in other revenues on the accompanying consolidated statement of activities and change in net assets.

Public Support and Revenue Recognition The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give 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. Any funds received in advance of a condition being met are recorded as a liability.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2022, the Organization had outstanding contributions receivable amounting to $310,415 and management determined no allowance was required as of June 30, 2022.

The Organization receives cost-reimbursable contract and grant funding from federal, state and local agencies for providing permanent housing and supportive services which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring the qualifying expenditures are reported as a liability. The Organization received cost-reimbursable grants that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred, with advance payments of $3,202,730, included in the accompanying consolidated statements of financial position as deferred revenue.

Revenue from rental property is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases. Included in rental revenue is other income from laundry, vending and miscellaneous charges to tenants. Such other income is recognized when earned.

The Organization conducts several special events during the year to raise money in support of its operations. Special events revenues include corporate contributions and are recognized when the event is held, unless otherwise restricted by donors. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenues and recognized as revenues on the date of the event. Revenue from these events are included in contributions and special events revenue and the related direct expenses are included in special events/fundraising expense in the accompanying consolidated statements of functional expenses.

Contracts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of contracts receivable, net of the allowance for doubtful accounts, represents the estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding contracts receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. The Organization's contracts receivable are primarily reimbursements due from contracted government grant reimbursement requests. The Organization provides for an allowance for uncollectible accounts based on historical experience. There was no allowance for uncollectible contracts receivable as of June 30, 2022.

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance account is based on historical collection date and an analysis of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. The allowance related to tenant accounts receivable as of June 30, 2022 was $45,557.

Rental / Operating Subsidy A portion of rental and operating revenue at a number of the apartment buildings is received from the Housing Authority (Section 8 rental subsidy) and the Department of Mental Health Services (MHSA operating subsidy. Tenant rents are subsidized based on their income and special needs qualifications. Subsidy revenue is included in the accompanying consolidated statements of activities and change in net assets within rental revenues.

Contributed Goods and Services Contributions of donated noncash assets are recorded at fair value at date of donation using the price for comparable goods available for public purchase. During the year ended June 30, 2022, the Organization received $215,886 of contributed program supplies, of which approximately $74,357 was included in inventory as of June 30, 2022. Inventory is expected to be used in the Organization's programs during 2023. The use of contributed goods are recorded in the functional expense classification for the program in which the goods were used. There were no donor restrictions associated with the contributed goods received. During the year ended June 30, 2022, the Organization received $52,509 contributed for the use of space at SSI in their emergency shelter program (Note 9).

Contributions of services are recognized if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated Assets Donated assets are recorded at fair value at the date of donation. Such donations are reported as without restriction unless the donor has restricted the use of the gift. Contributed investments without donor restriction that are sold immediately are reported as operating cash flows in the accompanying consolidated statements of cash flows. Contributed property and equipment donated with explicit restriction regarding their use are reported as net assets with donor restriction. The Organization reports expirations of donor restrictions when the donated property and equipment is placed in service or as stipulated by the donor. SHELTER received contributed marketable securities with a fair value of $5,196,936 during the year ended June 30, 2022.

Property and Equipment Property and equipment and leasehold improvements, including construction in progress, are recorded at cost for purchased items and fair value for contributed items.

Depreciation and amortization of assets placed in service is calculated using the straight-line method over the following estimated useful lives:

Description	Useful Life
Buildings	30 to 40 years
Building improvements	10 to 30 years
Leasehold improvements	Lesser of life or lease
Furniture and equipment	5 to 7 years
Vehicles	5 years

Costs of projects under development include direct and indirect costs of construction incurred during the development period. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future net undiscounted cash flows estimated to be generated by the property and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized for the year ended June 30, 2022.

Debt Issuance Costs Debt issuance costs are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is recorded using a method that approximates the effective interest method.

Income Taxes SHELTER and its affiliates are not-for-profit organizations that are 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). In addition, the Organization does not have any income which they believe would subject it to unrelated business income taxes and has not taken any uncertain tax positions which would require recognition in the consolidated financial statements or which may have an effect on its tax-exempt status.

SHELTER and its affiliates income tax returns remain subject to examination for all tax years ended on or after June 30, 2017 with regard to all tax positions and the results reported. No examinations are currently pending.

Property Tax Exemption The Organization is generally exempt from real property taxes. In the event such exemption is not renewed or no longer available, the Organization's cash flow would be negatively impacted.

Functional Allocation of Expenses The costs of providing various programs and other activities are summarized on a functional basis in the consolidated 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 the Organization. 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 the Organization 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.

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.

- General and administrative expenses consist of costs incurred in connection with the overall activities, which are not allocable to another functional expense category.

- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Related Party Transactions SHELTER charges management fees to its consolidated affiliates for management, accounting, reporting, and other general expenses. SHELTER also charges its consolidated affiliates for wages and benefits paid on their behalf for supervisors, managers, and caseworks. All such transactions are eliminated in consolidation.

Risks and Uncertainties Certain of the Organization's services are governed by grant agreements with governmental agencies. All such grant agreements, to which the Organization currently is a party-to-be, are for fixed terms and expire on an annual basis. There can be no assurances that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Organization's consolidated financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, civil penalties and could have an adverse effect on the Organization's consolidated financial position and operations.

Concentrations of Business and Credit Risk SHELTER, as direct owner, has an economic interest in real estate projects (Projects). The Projects rent to residents of Contra Costa, Solano, and Sacramento counties with qualifying levels of income who live in these areas and/or to people who receive public assistance. The Projects are subject to business risks associated with the economy and level of unemployment in California and available subsidies, which affect occupancy as well as the tenants' ability to make rental payments. In addition, the Projects operate in a heavily regulated environment. The operations of the Projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Organization's cash and cash equivalents are maintained in various bank accounts. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Organization has not experienced any losses in such accounts and believes its exposure to any significant credit risk on its cash and cash equivalents is limited.

The Organization receives a significant amount of revenue from government contracts, as well as from affordable housing projects it owns and/or operates. These sources of funds are dependent upon the availability of funds from federal programs, as well as the continued success of the rental properties.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with these investments and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the Organization's investment account balances and the amounts reported in the accompanying consolidated financial statements. The Organization does not believe there is a significant risk associated with its investment policy.

For the year ended June 30, 2022, the Organization received funding from two government agencies which accounted for 13% and 11%, respectively, of its total revenues, and one private grant which accounted for 18% of its total revenues.

Use of Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Adoption of Accounting Principle Effective July 1, 2021, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2020-07). The ASU is intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including services, and includes additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 did not have a material impact on the Organization's consolidated financial statements.

Recently Issued Accounting Pronouncements In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability, measured on a discounted basis, on the statement of financial position for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and change in net assets. A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. The standard is effective for annual reporting periods beginning after December 15, 2021. The use of either the retrospective or cumulative effect transition method is permitted. The Organization is currently evaluating the impact the adoption of ASU 2016-02 on July 1, 2022 will have on its consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due.

Consolidated financial assets available for general expenditure, that is, funds without donor restrictions or other restrictions limiting their use that will pay for operating expenses within one year of the consolidated statement of financial position date, comprise the following:

At June 30	2022
Financial assets at year-end:	
Cash and cash equivalents	$ 421,142
Contracts receivable due within one year	7,456,106
Receivables - rental	274,580
In-kind use of building	2,034,728
Contributions receivable	310,415
Total financial assets	10,496,971
Less: amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	(3,646,336)
Financial assets available to meet general expenditures within one year	$ 6,850,635

The Organization's program activity is primarily funded by cost-reimbursable contracts with federal, state and local government agencies. In the event of unplanned liquidity needs over and above that which is provided by operations discussed above, the Organization has access to approximately $3,000,000 in board designated net assets held in investments accounts which could be made available, as well as restricted cash, subject to approval by lenders and government agencies. In addition, the Organization maintains a line of credit for additional liquidity (Note 5).

4. CONTRACTS RECEIVABLE

Contracts receivable consists of the following:

At June 30,	2022
Contracts receivable	$ 4,117,010
Unbilled contracts receivable	3,339,096
Total contracts receivable	$ 7,456,106

5. LINE OF CREDIT

The Organization has an open line of credit with Bank of the West, secured by assets, as defined in the promissory note, borrowing up to $700,000, interest payable monthly on outstanding balance at the Variable Interest Rate (7.25% as of June 30, 2022). As of June 30, 2022, the balance in the line of credit was $700,000. The line of credit was subsequently increased in August 2022 to $2,000,000 due on September 10, 2023.

6. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

As of June 30,	2022
Land	$ 1,548,493
Construction in progress	3,635,470
Building and improvement	5,192,103
Furniture and equipment	421,306
Vehicles	43,838
Less: accumulated depreciation	(2,605,872)
Total property and equipment, net	$ 8,235,338

Depreciation expense related to property and equipment for the year ended June 30, 2022 was $203,801.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30, 2022 is as follows:

	June 30, 2021	Additions	Released	June 30, 2022
Subject to expenditure for special purposes:				
Mountain View House	$ 281,122	$ 213,672	$ (467,126)	$ 27,668
Supportive Housing	18,404	-	-	18,404
General Prevention	151,674	57,280	(20,478)	188,476
Project Hearth	-	178,023	(151,134)	26,889
Adopt-A-Family	30,986	4,075	(14,220)	20,841
COVID related	772,478	75,000	(260,311)	587,167
Employment Services	153,500	16,000	(8,173)	161,327
Solano Kitchen	-	216,000	-	216,000
Tipping Point	-	56,000	(26,216)	29,784
Kaiser Solano RRH	-	25,000	-	25,000
River District Shelter	-	1,250	-	1,250
SSVF	-	5,000	(1,698)	3,302
Marathon Petroleum	-	5,500	-	5,500
Other	92,700	-	(92,700)	-
	1,500,864	852,800	(1,042,056)	1,311,608
Subject to passage of time and expenditure for special use:				
Gemmer Family Fund	-	200,000	-	200,000
Weinberg Foundation	-	100,000	-	100,000
In-kind use of building	2,087,237	-	(52,509)	2,034,728
	2,087,237	300,000	(52,509)	2,334,728
Total	$ 3,588,101	$ 1,152,800	$ (1,094,565)	$ 3,646,336

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. A summary of investments is as follows at June 30, 2022:

Investments as of June 30, 2022	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Levels 3)
Bank sweep	$ 62,226	$ 62,226	$ -	$ -
Equity mutual funds	2,657	2,657	-	-
Equities – common stock	2,980,253	2,980,253	-	-
Total investments	$ 3,045,136	$ 3,045,136	$ -	$ -

The following schedule summarizes investment income, net, in the consolidated statement of activities and change in net assets:

June 30,	2022
Unrealized gain (loss) on investments	$ (2,207,218)
Realized gain (loss) on sale of investments	292
Total investment income	$ (2,206,926)

9. COMMITMENTS AND CONTINGENCIES

For the year ended June 30, 2022, SHELTER has four long term operating leases.

- **Hour Projects Lease:** SHELTER leased a premise from Hour Projects located at 1125 Missouri St. Suite 109, Fairfield California. The term of the lease is from May 1, 2019 to April 31, 2024. Lease expense for the year ended June 30, 2022 is $14,400.

- **Pacific Office Automation:** On December 27, 2018, SHELTER leased a printing machine from Pacific Office Automation with monthly rental payments of $892. The term of the lease is 60 months, ending on December 31, 2023. The monthly payment can increase up to 15% every January. Lease expense for the year ended June 30, 2022 is $12,388.

- **Pitney Bowes Lease:** On June 11, 2018, SHELTER entered into a lease agreement with Pitney Bowes to lease equipment for postage with a monthly payment of $121. The original term of the lease was 51 months, ending in August 2022, however the lease was extended in May 2022 until April 2027. Lease expense for the year ended June 30, 2022 is $1,553.

- **BG Asset Management:** On February 7, 2022 and June 1, 2022, SHELTER entered into lease agreements with BG Asset Management for two units with lease terms ending January 31, 2023 and May 31, 2023. Lease expenses for the year ended June 30, 2022 are $6,975 and $1,648, respectively.

Future minimum lease payments for long-term operating leases are as follows:

For the year ending June 30,		Amount
2023	$	59,408
2024		23,341
2025		2,011
2026		2,011
2027		1,675
Total	$	88,446

Certain grants and contracts provide for SHELTER to obtain housing for qualified individuals and families and directly pay the rent expense. Accordingly, SHELTER entered into one-year lease agreements with unrelated multi-family residential projects to lease specific units. Total rent expense amounted to $354,215 for the year ended June 30, 2022 and is reflected as rent and other client assistance on the accompanying consolidated statement of functional expenses.

SHELTER has elected to be self-insured for state unemployment claims. Under this method, the State of California bills SHELTER on a quarterly basis for all the claims paid on behalf of SHELTER. Management estimated future liability for unemployment claims as of June 30, 2022 to be $22,138.

The Organization is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding, public support, and contributions. Its continued growth and well- being is contingent upon successful achievement of its long-term revenue-raising goals.

SSI Shelter Operations SSI was formed in November 2018 during negotiations with the City of Fairfield to transition operations of a year-round emergency shelter from its Original Operator to SSI. Effective January 2019, SSI entered into a Transition Agreement between the FHA, SSI, the landowner, and the Original Operator (Transition Agreement). Under the terms of the Transition Agreement, SSI became the New Operator of the Emergency Shelter, as defined, for the remaining term of the existing ground lease which was concurrently assigned to SSI. The existing Ground Lease was entered into with a private third-party landowner, originally dated September 30, 2005, for a term of 55 years with an option to extend for (4) four consecutive (10) ten year periods after the initial term. Under the terms of the original lease, the required monthly payment was $1,500 plus CPI for first 180 months and $2,000 plus CPI from month 181 to 660. Land lease expense amounted to $26,852 for the year ended June 30, 2022. Future amounts due under the lease are $24,000 plus CPI annually for each of the years ending June 30, 2022 through 2027 and $792,000 plus CPI, thereafter. SSI is responsible for the costs of operations for the Emergency Shelter, including utilities, maintenance, insurance, and applicable property taxes.

In addition, SSI agreed to assume a $1,500,000 loan under the Federal Home Loan Bank Affordable Housing Program (AHP), secured by the Emergency Shelter which is owned by the City of Fairfield. The AHP loan was recorded at its carrying value, is non-interest bearing, requires no principal payments, and is expected to be forgiven in March 2027.

During 2022, management determined that SSI's use of the Emergency Shelter for consideration only attributable to the existing Ground Lease represents an unconditional in-kind contribution by the City of

Fairfield for the value of the use of the building over the remaining term (expiring 2061). As such, an adjustment was recorded to reflect a time restricted contribution in-kind use of building in the amount of $2,087,237 as of June 30, 2021, which will be amortized as in-kind rent expense and released from net assets with donor restrictions annually. For the year ended June 30, 2022, SSI recorded $52,509 of in-kind rent expense in the accompanying consolidated statement of functional expenses.

SSI Construction Contract SSI entered into a guaranteed maximum price contract with PSR West Coast Builders, Inc., an unrelated party, in an amount equal to $3,791,698 for construction of its kitchen and dining hall. As of June 30, 2022, $1,219,103 remains payable, including retainage, and is included in construction costs payable on the accompanying consolidated statement of financial position.

Rental Assistance Contracts Many properties owned by the Organization have entered into rental assistance contracts with HUD. These contracts have various terms and require the projects to operate as low-income housing properties and to obtain HUD approval of all rent increases.

Contracts Conditions contained within the various contracts awarded to the Organization 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, the Organization 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.

Litigation In the ordinary course of doing business, the Organization, from time to time, becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Organization which may have an impact on changes in net assets. The Organization does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying consolidated financial statements.

10. NOTES PAYABLE

Notes payable are secured by the property unless otherwise noted and consist of the following:

June 30,		2022
NCC		
Note payable to Sun West Mortgage Company, Inc. in the original amount of $304,200; loan bears interest at 8.25% with monthly principal and interest payments of $2,285 through August 1, 2029. The note is insured by HUD under the Section 223(f) program and is secured by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement.	$	148,008
Note payable to City of Concord, in the original amount of $381,500, secured by a deed of trust on real property, bears no interest with annual principal payments required from residual receipts, as defined, due July 2034.		379,391

June 30,	2022
Note payable to Contra Costa County (CCC) under the Housing Opportunities for Persons with AIDS (HOPWA Program), in the original amount of $214,000, secured by a deed of trust on real property, bears no interest, due July 2035. The HOPWA loan is expected to be forgiven at the end of 36-year term provided that NCC complies with the occupancy and rent restrictions set forth in the regulatory agreement.	214,000
Landings	
Note payable to CCC under the HOPWA Program, in the original amount of $200,000, secured by a deed of trust on real property, bears simple interest rate of 3.00%, due September 2034. The HOPWA loan is expected to be forgiven at the end of 40-year term provided that SHELTER complies with the restrictions set forth in the regulatory agreement.	200,000
Note payable to CCC HOME loan, in the original amount of $125,030, bears no interest, due December 2034.	125,030
Next Step	
Note payable to CCC CDBG loan, in the original amount of $134,100, secured by a deed of trust on real property. The loan bears no interest, originally matures in May 2038 and can be extended up to May 2058. The loan is expected to be forgiven at the end of 60-year term provided that SHELTER complies with the restrictions set forth in the regulatory agreement.	134,100
Note payable to CCC CDBG loan, in the original amount of $32,400, secured by a deed of trust on real property, bears simple interest rate of 3.00%, due August 2043. The loan is expected to be forgiven at the end of 40-year term provided that SHELTER complies with the restrictions set forth in the regulatory agreement.	32,400
Sunset Apartments	
Note payable to Department of Housing and Community Development, in the original amount of $94,975, secured by a deed of trust on real property, bears simple interest rate of 3%, due September 2026.	94,975
Mary McGovern House	
Note payable to California Department of Housing and Community Development, in the original amount of $200,000, secured by a deed of trust on real property, bears simple interest rate of 3.00%, due June 2026.	200,000
Barrett Street Apartments	
Note payable to JP Morgan Chase in the amount of $221,550, secured by a deed of trust on real property, bears interest at 7.15%. Principal and interest payments of $1,496 are due monthly. All unpaid principal and interest are due December 2032.	132,061
1333 Willow Pass Road	
Note payable to City National Bank in the amount of $1,500,000, secured by a deed of trust on real property, bears interest at 4.50%. Principal and interest payments of $8,393 are due monthly. All unpaid principal and interest are due December 2025.	1,215,943

June 30,	2022
Western Riverside Council of Governments for HERO Program, in the original amount of $210,000. The loan bears interest at 6.25% per annum and requires annual installments of $27,647 to be paid through property tax bill.	186,019
SSI	
Note payable to First Northern Bank of Dixon in the amount of $1,500,000, pursuant to the regulations governing the AHP, secured by a deed of trust on property owned by the City of Fairfield, bearing no interest, maturity date of March 2027. The loan is expected to be forgiven at the end of the term provided that SSI complies with the restrictions set forth in the regulatory agreement.	1,500,000
Total	4,561,927
Less: unamortized loan fees	(5,760)
Total, net of unamortized loan fees	4,556,167
Less: current portion	(86,064)
Long-term portion	$ 4,470,103

Principal payments on notes payable for the next five years, including those expected to be forgiven, are subject to changes in net cash flow and are estimated as follows:

Year ending June 30,	SHELTER, Inc.	SSI	NCC	Total
2023	$ 70,262	$ -	$ 15,802	$ 86,064
2024	73,088	-	17,157	90,245
2025	76,062	-	18,627	94,689
2026	279,192	-	20,223	299,415
2027	177,464	1,500,000	21,956	1,699,420
Thereafter	1,644,460	-	647,634	2,292,094
Total	$ 2,320,528	$ 1,500,000	$ 741,399	$ 4,561,927

An analysis of notes payable and accrued interest for the year ended June 30, 2022 is as follows:

As of June 30, 2022	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
SHELTER, Inc.				
Amortizing	$ 70,262	$ 1,463,761	$ 1,534,023	$ 11,627
Non-amortizing	-	786,505	786,505	415,123
Total SHELTER, Inc.	70,262	2,250,266	2,320,528	426,750
NCC				
Amortizing	15,802	132,206	148,008	99
Non-amortizing	-	593,391	593,391	-
Total NCC	15,802	725,597	741,399	99
SSI				
Non-amortizing	-	1,500,000	1,500,000	-
Total SSI	-	1,500,000	1,500,000	-
Total	$ 86,064	$ 4,475,863	$ 4,561,927	$ 426,849

11. PRIOR PERIOD ADJUSTMENTS

During 2022, management became aware of certain errors in the Organization's previously issued consolidated financial statements for the year ended June 30, 2021 which required the following corrections in 2022 resulting in a net increase of beginning net assets of $1,197,280.

- Delayed recognition of revenue due to improper consideration of donor imposed conditions and restrictions. Adjustments were recorded in 2022 to decrease revenue by $171,296 and deferred revenue by $718,903, and to increase contract receivable by $180,790 and net assets of $1,070,989 as of June 30, 2021.

- Improper valuation of forgivable debt. An adjustment was recorded in 2022 to increase notes payable by $283,341 and accrued interest by $177,605, with a corresponding decrease in net assets of $460,946 as of June 30, 2021.

- Lack of consideration for the loan assumption and in-kind contribution for the use of space at SSI (Note 9). Adjustments were recorded during 2022 to recognize a in-kind use of building of $2,087,237, a note payable of $1,500,000, and an offsetting increase in net assets of $587,237 as of June 30, 2021.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as disclosed in Note 5.

SUPPLEMENTARY INFORMATION

ER, INC.
ORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
LE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Agent Program Title	Federal CFDA Number	Agency or Pass-Through Grantor Number	Total Federal Expenditures	Exp Subı
ARTMENT OF HOUSING AND URBAN DEVELOPMENT				
unity Development Block Grant: *				
s-through awards				
DBG Contra Costa County	14.218	Contra Costa County	$ 26,539	$
DBG Antioch	14.218	City of Antioch	50,000	
DBG-Fairfield	14.218	City of Fairfield	50,000	
DBG-CV Antioch	14.218	City of Antioch	78,926	
DBG-CV Fairfield	14.218	City of Fairfield	175,943	
DBG-CV Contra Costa County	14.218	Contra Costa County	94,688	
DBG-CV Concord	14.218	City of Concord	29,355	
DBG-CV Pittsburg	14.218	City of Pittsburg	76,241	
DBG-CV Walnut Creek	14.218	City of Walnut Creek	9,825	
Community Development Block Grant			591,517	
ency Solutions Grant Program: *				
s-through awards				
deral Emergency Solutions Grant	14.231	Contra Costa County	263,318	
ver District Shelter - Sacramento	14.231	City of Sacramento	1,844,199	
deral Emergency Solutions Grant	14.231	Department of Housing and Community Development	101,035	
deral Emergency Solutions Grant	14.231	Department of Housing and Community Development	73,350	
deral Emergency Solutions Grant - COVID	14.231	Community Action Partnership Solano, JPA	741,393	
Emergency Solutions Grant Program			3,023,295	

ndent auditor's report on supplementary information and notes to the schedule of expenditures of federal awards.

ER, INC.
ORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
LE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Agent Program Title	Federal CFDA Number	Agency or Pass-Through Grantor Number	Total Federal Expenditures	Exp Subı
um of Care Program: *				
ct awards				
rmanent Turningpoint	14.267	HUD	$ 671,856	$
oject Thrive	14.267	HUD	550,024	
ach Family Rapid Rehousing	14.267	HUD	239,364	
peranza	14.267	HUD	178,739	
pire	14.267	HUD	164,837	
s-through awards				
sination Home	14.267	Contra Costa County	882,055	
bora Gardens	14.267	Satellite Affordable Housing Associate	135,489	
Continuum of Care Program			2,822,364	
.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			6,437,176	
ARTMENT OF VETERANS AFFAIRS				
tive Services for Veteran Families Program				
ct awards				
pportive Servies for Veteran Families	64.033	VA	753,188	
pportive Servies for Veteran Families - CARES	64.033	VA	767,668	
pportive Servies for Veteran Families - Shallow Subsidy	64.033	VA	33,661	
Supportive Services for Veteran Families Program			1,554,517	
and Per Diem Program				
ct awards				
althcare for Homeless Veterans Program	64.024	VA	239,210	
Grant and Per Diem Program			239,210	
.S. DEPARTMENT OF VETERANS AFFAIRS			1,793,727	

ndent auditor's report on supplementary information and notes to the schedule of expenditures of federal awards.

ER, INC.
ORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
LE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Agent Program Title	Federal CFDA Number	Agency or Pass-Through Grantor Number	Total Federal Expenditures	Exp Subr
ARTMENT OF HEALTH AND HUMAN SERVICES				
unity Services Block Grant				
s-through awards				
SBG Mountain View	93.569	Contra Costa County	$ 83,615	$
ODS	93.569	Contra Costa County	212,690	
Community Services Block Grant			296,305	
I.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			296,305	
ARTMENT OF THE HOMELAND SECURITY				
ency Food and Shelter National Board Program				
s-through awards				
SP Phase 38	97.024	United Way of the Bay Area	76,292	
SP Phase 36	97.024	United Way of the Bay Area	20,000	
SP Phase 35	97.024	United Way of the Bay Area	24,400	
SP Cares	97.024	United Way of the Bay Area	120,000	
Emergency Food and Shelter National Board Program			240,692	
I.S. DEPARTMENT OF HOMELAND SECURITY			240,692	
leral Awards			$ 8,767,900	$

ted as a major program

ndent auditor's report on supplementary information and notes to the schedule of expenditures of federal awards.

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Agent Program Title	Federal Assistance Listing (AL) Number	Agency or Pass-Through Grant Number	Loan Balances
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
New Century Center			
Pass-through awards			
Section 223(f)/207 mortgage insurance for the purchase of existing multifamily housing projects	14.155	Contra Costa County	$ 148,008
Housing Opportunities for Persons with AIDS	14.155	Contra Costa County	214,000
			362,008
SHELTER, Inc.			
Supportive Housing Program			
Pass-through awards			
Permanent Housing for Handicapped Homeless Program - Sunset	14.235	Department of Housing and Community Development	94,975
Community Development Block Grant			
Pass-through awards			
Community Development Loan for Next Step	14.218	Contra Costa County	134,100
Community Development Rehab Loan for Next Ste	14.218	Contra Costa County	32,400
Housing Opportunities for Persons with AIDS			
Pass-through awards			
Housing Opportunities for Persons with AIDS HOPWA loan for Landings	14.241	Contra Costa County	107,222
Home Investment Partnerships Program HOME loan for Landings	14.239	Contra Costa County	125,030
			493,727
Total Federal Loans			$ 855,735

See independent auditor's report on supplementary information and notes to the schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of SHELTER, Inc. under programs of the federal government for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule of expenditures of federal awards presents only a selected portion of the operations of SHELTER, Inc. it is not intended to and does not present the financial position, change in net assets or cash flows of SHELTER, Inc.

2. PROGRAM COST

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the City, State and County portion, are more than shown.

3. INDIRECT COST RATE

SHELTER, Inc. has not elected to use the 10% de minims indirect cost rate allowed under the Uniform Guidance.

4. PRIOR YEAR'S FEDERAL LOANS

The schedule below provides information regarding balances of loans for which continuing compliance is required.

See independent auditor's report and schedule of expenditures of federal awards.

HOLTHOUSE | CARLIN | VAN TRIGT LLP

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 of
SHELTER, Inc.:

We have audited, 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, the financial statements of SHELTER, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets (deficit), functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated May 5, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2022-001, #2022-002, and #2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 consolidated 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*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on SSI's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. SSI's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of the response.

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.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
May 5, 2023

HOLTHOUSE | CARLIN | VAN TRIGT LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors of
SHELTER, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SHELTER, Inc.'s, a California nonprofit public benefit corporation (SHELTER or the Organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our 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 the Organization'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 the Organization'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 to express an opinion on the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2022-001, #2022-002, and #2022-003 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
May 5, 2023

Section I—Summary of Auditor's Results

Consolidated Financial Statements – For the Year ended June 30, 2022

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified not considered to be material weaknesses?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.231	Emergency Solutions Grant
14.267	Continuum of Care

Dollar threshold used to distinguish between Type A and Type B programs:	**$750,000**			
Auditee qualified as low-risk auditee?		Yes	X	No

CURRENT YEAR FINDINGS AND RECOMMENDATIONS - 2022

Section II—Consolidated Financial Statement Findings

Finding #2022-001

Material Weakness – Financial Closing and Reporting Process

Condition: During our audit, we noted that, due to turnover within the finance department, the Organization was not able to implement adequate internal controls over the consolidated financial statement closing and reporting process to allow for timely preparation and review of year-end reconciliations and schedules.

Criteria: Management and those charged with governance are responsible 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.

Cause: Turnover of key personnel during 2021 and 2022, and general lack of understanding of U.S. GAAP in the controller position, did not allow for consistent and effective implementation of existing internal controls over financial reporting.

Effect: Certain internal controls were not consistently, or effectively, implemented, and numerous post-closing adjustments were required to correct identified misstatements during the audit.

Recommendation: We recommend the Organization hire a controller with nonprofit accounting and audit experience to oversee the design and implementation of internal controls over financial reporting. Further, we recommend management evaluate the design of internal controls over the financial closing and reporting process to ensure adequate closing procedures, including implementation of a detailed monthly close checklist to include review of key account reconciliations, journal entries, and non-routine transactions at the appropriate level in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: Management concurs and has provided a Corrective Action Plan which is included at the end of this report.

Finding #2022-002

Material Weakness – Lack of Internal Control – Revenue Recognition

Condition: During our audit, we noted that revenue was not consistently recognized in accordance with U.S. GAAP. Specifically, we identified instances in which a) contract revenue was not recorded as conditions were met, b) contributions were not recorded when pledged. These misstatements result in a material misstatement of revenue which was not identified by management.

Criteria: Management and those charged with governance are responsible for the design, implementation, and maintenance of internal control relevant to the recognition of revenue and the fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Cause: Turnover of key personnel during 2021 and 2022, and general lack of understanding of U.S. GAAP in the controller position, did not allow for proper recognition of revenue.

Effect: Certain internal controls were not properly designed or consistently and effectively implemented resulting in multiple revisions to the client prepared schedule of expenditures of federal awards and numerous post-closing adjustments to correct the misstatements in revenue identified during the audit.

Recommendation: We recommend management re-evaluate the Organization's revenue recognition process, including review of contributions and grant contract billings, to ensure an appropriate allocation of responsibilities and that adequate reconciliation of monthly revenue occurs in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: Management concurs and has provided a Corrective Action Plan which is included at the end of this report.

Finding #2022-003

Material Weakness – Segregation of Activity Between Related Entities

Condition: During our audit, we noted that certain activity was not accurately segregated between SSI and SHELTER, Inc, (SHELTER), related entities, resulting in material misstatements of balances and activity which were not identified by management.

Criteria: Management and those charged with governance are responsible for the design, implementation, and maintenance of internal control relevant to the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Cause: Turnover of key personnel during 2021 and 2022, and general lack of understanding of U.S. GAAP in the controller position, did not allow for proper segregation of balances and activities between SSI and SHELTER.

Effect: Certain internal controls were not properly designed or consistently and effectively implemented resulting in numerous post-closing adjustments to correct the misstatements identified during the audit.

Recommendation: We recommend management re-evaluate the Organization's internal controls, specifically related to identification of the reporting entity, to ensure an appropriate allocation of balances and activity between related entities.

Views of Responsible Officials and Planned Corrective Actions: Management concurs and has provided a Corrective Action Plan which is included at the end of this report.

Section III—Federal Award Findings and Questioned Costs

See Findings #2022-001, #2022-002, and #2022-003, discussed above.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS - 2021

None reported.

shelterinc

SHELTER, Inc.
Corrective Action Plan
June 30, 2022, External Audit
April 21, 2023, Response

Contact Person(s):
John Eckstrom, Chief Executive Officer
Sarah Spector, Chief Financial Officer Consultant

Finding #2022-001 – Financial Closing and Reporting Process

Recommendation:
We recommend the Organization hire a controller with nonprofit accounting and audit experience to oversee the design and implementation of internal controls over financial reporting. Further, we recommend management evaluate the design of internal controls over the financial closing and reporting process to ensure adequate closing procedures, including implementation of a detailed monthly close checklist to include review of key account reconciliations, journal entries, and non-routine transactions at the appropriate level in a timely manner.

Management's Action Plan:
The Organization's prior controller was terminated in January 2023 due to performance issues commensurate with the auditor's finding. The Organization subsequently hired a new head of the accounting department and has further engaged their consulting CFO, who is an actively licensed CPA with non-profit audit experience, to have direct oversight of the closing and reporting process. A close checklist has been created and a reconciliation sign off sheet along with a journal entry log capturing both standard and non-standard entries are in development. These checklists will be reviewed at the end of the month-end close cycle by the CFO for completeness and timeliness. Further, processes will be established whereby all revenue contracts will be reviewed by the CFO prior to signature, or immediately following as operationally necessary, for review of financial terms and to ensure proper accounting for said contract. All financial reporting will be reviewed by the CFO to ensure material accuracy.

Anticipated Completion Date for Corrective Action:
For those items that are still in progress, the anticipated completion date is June 30, 2023.

Finding #2022-002 – Lack of Internal Control – Revenue Recognition

Recommendation:
We recommend management re-evaluate the Organization's revenue recognition process, including review of contributions and grant contract billings, to ensure an

appropriate allocation of responsibilities and that adequate reconciliation of monthly revenue occurs in a timely manner.

Management's Action Plan:
As mentioned above in response to Finding #2022-001, the Organization has further engaged their consulting CFO, who is an actively licensed CPA with non-profit audit experience, to have direct oversight of the closing and reporting process. Processes are being established whereby all revenue contracts will be reviewed by the CFO prior to signature, or immediately following as operationally necessary, for review of financial terms and to ensure proper accounting for said contract. All financial reporting will be reviewed by the CFO to ensure material accuracy.

Anticipated Completion Date for Corrective Action:
June 30, 2023

Finding #2022-003 – Segregation of Activity Between Related Entities
Recommendation:
We recommend management re-evaluate the Organization's internal controls, specifically related to identification of the reporting entity, to ensure an appropriate allocation of balances and activity between related entities.

Management's Action Plan:
As mentioned above in response to Finding #2022-001, the Organization has further engaged their consulting CFO, who is an actively licensed CPA with non-profit audit experience, to have direct oversight of the closing and reporting process. Processes are being established whereby all revenue contracts will be reviewed by the CFO prior to signature, or immediately following as operationally necessary, for review of financial terms and to ensure proper accounting for said contract. All financial reporting will be reviewed by the CFO to ensure material accuracy. Further, the Organization will work with their funding sources to ensure that all contracts are drafted with the corresponding legal entity to prevent such allocation challenges in the future.

Anticipated Completion Date for Corrective Action:
June 30, 2023

John Eckstrom

John Eckstrom, CEO

Sarah Y Spector

Sarah Spector, CPA, CFO Consultant

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