



**SHELTER, INC. AND AFFILIATES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
**CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTARY SCHEDULE  
AND  
INDEPENDENT AUDITOR'S REPORTS  
JUNE 30, 2024**



# **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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**JUNE 30, 2024**

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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, 2024, 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, 2024, 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.

### 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 November 25, 2024 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.

Encino, California  
November 25, 2024

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF JUNE 30,****2024****Assets**

## Current assets

Cash and cash equivalents	\$ 1,106,427
Contracts receivable	4,742,335
Receivables - rental, net	113,251
Contributions receivable, current	211,668
Inventory	110,808
Prepaid expenses	228,632
In-kind use of building, current	52,509
Current portion of restricted cash	
Tenant security deposits	160,023

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**Total current assets** 6,725,653

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## Restricted cash

Operating reserves	8,344
Replacement reserves	134,232
Other reserves	127,499

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**Total restricted cash** 270,075

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**Property and equipment, net** 9,037,852

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Contributions receivable, net of current portion	165,000
In-kind use of building, net of current portion	1,877,201
Investments	2,195,146
Right-of-use asset	1,404,743
Landlord deposits, net	442,542

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**Total assets** \$ 22,118,212

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*See accompanying notes to consolidated financial statements.*

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS OF JUNE 30,****2024****Liabilities and Net Assets**

## Current liabilities

Accounts payable and accrued expenses	\$ 1,894,826
Deferred revenue	52,224
Line of credit	1,125,000
Tenant security deposits	147,991
Current portion of accrued interest payable	8,193
Current portion of lease liability	126,274
Current portion of notes payable	64,733
<b>Total current liabilities</b>	<b>3,419,241</b>

Notes payable secured by real estate, net of current portion and  
unamortized debt issuance costs

5,748,859

Lease liability, net of current portion

1,300,531

Accrued interest payable, net of current portion

460,568

**Total other liabilities****7,509,958****Total liabilities****10,929,199****Net assets**

Without donor restrictions

Undesignated	5,944,180
Board designated funds	2,171,379

**Total net assets without donor restrictions****8,115,559****Net assets with donor restrictions****3,073,454****Total net assets****11,189,013****Total liabilities and net assets****\$ 22,118,212***See accompanying notes to consolidated financial statements.*

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS****FOR THE YEAR ENDED JUNE 30,****2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenues</b>			
Private contributions (corporate, foundation and individuals)	\$ 1,402,337	\$ 657,748	\$ 2,060,085
Government contracts and grants	20,811,457	-	20,811,457
Contributed goods and services (Note 2)	318,334	-	318,334
Revenue from special events	229,890	-	229,890
Less: cost of special events	(80,314)	-	(80,314)
<b>Total public support and revenues</b>	<b>22,681,704</b>	<b>657,748</b>	<b>23,339,452</b>
<b>Other revenues</b>			
Rental revenue	1,440,626	-	1,440,626
Other revenue	13,046	-	13,046
Interest income	4,455	-	4,455
<b>Total other revenues</b>	<b>1,458,127</b>	<b>-</b>	<b>1,458,127</b>
<b>Net assets released from restrictions</b>	<b>1,404,358</b>	<b>(1,404,358)</b>	<b>-</b>
<b>Total public support and revenues, other revenues and net assets released from restrictions</b>	<b>25,544,189</b>	<b>(746,610)</b>	<b>24,797,579</b>
<b>Expenses</b>			
Program services	22,431,643	-	22,431,643
General and administrative	4,880,039	-	4,880,039
Fundraising	608,122	-	608,122
<b>Total expenses</b>	<b>27,919,804</b>	<b>-</b>	<b>27,919,804</b>
<b>Change in net assets from operations</b>	<b>(2,375,615)</b>	<b>(746,610)</b>	<b>(3,122,225)</b>
<b>Non-operating activities</b>			
Investment income, net	924,429	-	924,429
<b>Total non-operating activities</b>	<b>924,429</b>	<b>-</b>	<b>924,429</b>
<b>Change in net assets</b>	<b>(1,451,186)</b>	<b>(746,610)</b>	<b>(2,197,796)</b>
<b>Net assets, beginning of year</b>	<b>9,566,745</b>	<b>3,820,064</b>	<b>13,386,809</b>
<b>Net assets, end of year</b>	<b>\$ 8,115,559</b>	<b>\$ 3,073,454</b>	<b>\$ 11,189,013</b>

*See accompanying notes to consolidated financial statements.*



**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30,****2024**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Operating expenses</b>				
Salaries, taxes, and benefits	\$ 8,582,590	\$ 3,106,534	\$ 329,806	\$ 12,018,930
Direct client assistance	11,951,662	6,506	123,027	12,081,195
Repairs and maintenance	489,257	63,279	11,509	564,045
In-kind donation expenses	-	-	-	-
Travel and conference cost	158,030	120,098	4,731	282,859
Professional and legal fees	142,298	526,149	17,605	686,052
Property taxes and insurance	206,265	115,032	129	321,426
Advertising	7,646	49,993	1,887	59,526
Other operating expenses	302,748	568,929	125,831	997,508
Bad debt expense	117,405	-	-	117,405
Interest expense	40,209	255,537	-	295,746
Depreciation and amortization	433,533	67,982	73,911	575,426
<b>Total expenses by function</b>	<b>22,431,643</b>	<b>4,880,039</b>	<b>688,436</b>	<b>28,000,118</b>
Less expenses included with revenues:				
Cost of direct benefits to donors	-	-	(80,314)	(80,314)
<b>Total expenses in the consolidated statement of activities</b>	<b>\$ 22,431,643</b>	<b>\$ 4,880,039</b>	<b>\$ 608,122</b>	<b>\$ 27,919,804</b>

See accompanying notes to consolidated financial statements.

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30,****2024**

Cash flows from operating activities	
Change in net assets	\$ (2,197,796)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	575,426
Contribution of stock	(65,036)
Amortization of debt issuance costs	5,674
In-kind use of building	52,509
Unrealized gain on investments	(624,440)
Sale of contributed stock	65,586
Provision for bad debt expense	117,405
Changes in operating assets and liabilities	
Contracts receivable	(168,429)
Receivables - rental	41,573
Inventory	16,322
Prepaid expenses	(71,715)
Contributions receivable	152,909
Right-of-use asset	54,607
Landlord deposits, net	(55,076)
Accounts payable and accrued liabilities	42,940
Deferred revenue	(1,648,844)
Tenant security deposits liabilities	5,452
Accrued interest payable	18,248
Payment of lease payable	(31,845)
<b>Net cash used in operating activities</b>	<b>(3,714,530)</b>
Cash flows from investing activities	
Expenditures for property and equipment	(524,114)
Sale of investments	2,152,337
<b>Net cash provided by investing activities</b>	<b>1,628,223</b>
Cash flows from financing activities	
Proceeds from line of credit	1,953,343
Proceeds from notes payable	2,700,000
Payments for deferred financing costs	(12,071)
Payment of line of credit	(2,828,343)
Payment of notes payable	(1,349,695)
<b>Net cash provided by financing activities</b>	<b>463,234</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(1,623,073)</b>
Cash, cash equivalents and restricted cash at beginning of year	3,159,598
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 1,536,525</b>

*See accompanying notes to consolidated financial statements.*

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30,****2024****Supplemental disclosure of cash flow information**

Interest paid	\$ 243,840
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**Supplemental disclosure of noncash investing and financing activities**

Right-of-use asset acquired	\$ 868,107
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**Supplemental disclosure of cash, cash equivalents, and restricted cash**

Cash and cash equivalents	\$ 1,106,427
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## Restricted cash:

Tenant security deposits	160,023
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Operating reserves	8,344
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Replacement reserves	134,232
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Other reserves	127,499
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<b>Cash, cash equivalents, and restricted cash</b>	<b>\$ 1,536,525</b>
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*See accompanying notes to consolidated financial statements.*

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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### 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, Solano, and Sacramento Counties 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
<b>Total units</b>	<b>27</b>

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 Housing Opportunities for Persons with AIDS (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 (Note 9).

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**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 and Consolidation** 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 \$2,171,379 designated by the Board on June 30, 2024 for use in their housing programs.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**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 and cash equivalents consist of cash 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.

**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, 2024, the Organization had outstanding contributions receivable amounting to \$376,668 and management determined no allowance was required as of June 30, 2024.

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, 2024 because qualifying expenditures have not yet been incurred, with advance payments of \$52,224, included in the accompanying consolidated statement 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.

## **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2024

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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** Contracts receivable are recorded when billed or accrued (unbilled) 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, 2024.

**Receivables – Rental** Receivables – rental 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, 2024 was \$369,747.

**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 of \$147,861 is included in the accompanying consolidated statement of activities and change in net assets within rental revenue for the year ended June 30, 2024.

**Contributed Goods and Services** Contributions of donated goods 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, 2024, the Organization received \$318,334 of contributed program supplies, of which \$110,808, including \$40,742 of gift cards, was included in inventory as of June 30, 2024. Inventory is expected to be used in the Organization's programs during the fiscal year ending in 2025. 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, 2024, the Organization received \$52,509 contributed for the use of space at SSI in their emergency shelter program.

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.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**Contributed Assets** Contributions of investments and long-lived 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 statement 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 \$65,036 during the year ended June 30, 2024 which are included in private contributions in the accompanying consolidated statement of activities and change in net assets.

**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. Major additions and improvements are capitalized and repairs and maintenance that do not increase the useful lives are charged to expense as incurred. 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 long-lived assets 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, 2024.

**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, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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SHELTER and its affiliates income tax returns remain subject to examination for all tax years ended on or after June 30, 2020 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 services 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 and bookkeeping 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 caseworkers. 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.

## **SHELTER, INC. AND AFFILIATES**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**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 and restricted cash 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'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, 2024, the Organization received funding from two government agencies which collectively accounted for 10% and 11%, respectively, of its total revenues and contracts receivable.

**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.

**Fair Value Measurements** The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. 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.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**Leases** The Organization accounts for leases under ASC Topic 842, *Leases* (Topic 842), which requires lessees to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statements of financial position. The Organization has elected the short-term lease exception policy, permitting the Organization to exclude the recognition requirements for leases with terms of 12 months or less from lease inception, and has made a policy election to use the interest rate implicit in the lease to determine the ROU asset and lease liability related to its leases.

### 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,	2024
<b>Financial assets at year-end:</b>	
Cash and cash equivalents	\$ 1,106,427
Contracts receivable due within one year	4,742,335
Receivables – rental, net	113,251
Contributions receivable	376,668
<b>Total financial assets</b>	<b>6,338,681</b>
Less: amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	(1,143,744)
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 5,194,937</b>

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 \$2,200,000 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,	2024
Contracts receivable	\$ 3,205,582
Unbilled contracts receivable	1,536,753
<b>Total contracts receivable</b>	<b>\$ 4,742,335</b>

As of the date of the independent auditor's report, unbilled amounts as of June 30, 2024, have been reduced to \$0 as all contracts have been billed after the fiscal year-end.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

#### 5. LINE OF CREDIT

The Organization had an open line of credit with BMO Bank, secured by assets, as defined in the promissory note, borrowing up to \$2,000,000, interest payable monthly on outstanding balance at the Variable Interest Rate. The Organization repaid the line of credit in December 2023 with proceeds from a new mortgage note payable and the BMO line of credit was not renewed (Note 10). Concurrently, SHELTER entered into a new line of credit with Bank of America, available borrowings up to \$1,125,000, variable interest payable (7.91% as of June 30, 2024) and has a current maturity date of December 2024, which was subsequently extended to December 2025. As of June 30, 2024, the balance in the line of credit was \$1,125,000. Interest expense for the year ended June 30, 2024 was \$104,203, of which \$7,303 was outstanding and is included in accrued interest payable in the accompanying consolidated statement of financial position.

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30, 2024 is as follows:

	June 30, 2023	Additions	Released	June 30, 2024
<b>Subject to expenditure for special purposes:</b>				
Mountain View House	\$ -	\$ 281,475	\$ (281,475)	\$ -
Supportive Housing	18,404	-	(147)	18,257
General Prevention	248,631	73,000	(45,964)	275,667
Project Hearth	127,692	95,632	(122,644)	100,680
Adopt-A-Family	38,326	12,641	(14,295)	36,672
COVID related	514,898	-	(514,898)	-
Employment Services	144,656	-	(10,422)	134,234
Solano Kitchen	192,732	-	(39,766)	152,966
Kaiser Solano RRH	48,017	-	-	48,017
Kaiser Prevention	2,238	-	(2,238)	-
SSVF	2,251	-	-	2,251
	1,337,845	462,748	(1,031,849)	768,744
<b>Subject to passage of time and expenditure for special use:</b>				
Gemmer Family Fund	150,000	-	(50,000)	100,000
Dean & Margaret Leshner Foundation	-	195,000	(65,000)	130,000
John Muir Health	225,000	-	(80,000)	145,000
Sunlight Giving	125,000	-	(125,000)	-
In-kind use of building	1,982,219	-	(52,509)	1,929,710
	2,482,219	195,000	(372,509)	2,304,710
<b>Total</b>	<b>\$ 3,820,064</b>	<b>\$ 657,748</b>	<b>\$ (1,404,358)</b>	<b>\$ 3,073,454</b>

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

#### 7. INVESTMENTS

Investments in marketable securities are recorded at fair value based upon publicly quoted market prices or quotations of similar securities. Interest and dividend income and gains and losses on investments are reported in the statement of activities and change in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Investment sales and purchases are recorded on the trade date, which could result in receivables and payables on trades that have not yet settled at the financial statement date.

Dividend income is recorded on the ex-dividend date, and interest income is recorded when earned. Realized gains and losses are recorded on their respective trade dates. Realized gains and losses from the sale of securities are determined using the specific identification method. Investment income (loss) reflected in the accompanying statement of activities and change in net assets includes dividend and interest income, and realized and unrealized gains (losses), net of investment advisory fees.

Investments reported at fair value using quoted prices in active markets (Level 1) inputs held at June 30, 2024 are as follows:

	<b>Fair Value</b>
Cash	\$ 66,477
Equity mutual funds	2,919
Equities – common stock	2,125,750
<b>Total investments</b>	<b>\$ 2,195,146</b>

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

<b>June 30,</b>	<b>2024</b>
Unrealized gain on investments	\$ 624,440
Realized gain on sale of investments	299,989
<b>Investment income, net</b>	<b>\$ 924,429</b>

#### 8. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

<b>As of June 30,</b>	<b>2024</b>
Land	\$ 1,593,993
Construction in progress	93,737
Buildings and improvements	10,237,076
Furniture and equipment	436,570
Vehicles	43,838
Less: accumulated depreciation and amortization	(3,367,362)
<b>Total property and equipment, net</b>	<b>\$ 9,037,852</b>

Depreciation and amortization expense related to property and equipment for the year ended June 30, 2024 was \$575,426.

## **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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### **9. COMMITMENTS AND CONTINGENCIES**

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 \$262,310 for the year ended June 30, 2024 and is reflected as direct 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, 2024 to be \$68,052, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

The Organization is especially vulnerable to the inherent risks associated with 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, 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 four (4) consecutive ten (10) 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 \$29,363 for the year ended June 30, 2024. 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 buildings over the remaining term (expiring 2061). The contributed use of building as of June 30, 2024 was \$1,929,710. For the year ended June 30, 2024, SSI recorded \$52,509 of in-kind rent expense in the accompanying consolidated statement of functional expenses.

**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.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**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.

**Leases** The remaining lease terms for the Organization's ground and operating leases range from 9 to 38 years. As of June 30, 2024, the ROU asset and lease liability were \$1,404,743 and \$1,426,805, respectively. The ROU asset and lease liability were calculated utilizing the risk-free discount rate with a range from 3.35% to 5.06%, according to the Organization's elected policy.

Future minimum lease payments are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2025	\$ 126,274
2026	129,482
2027	132,795
2028	136,215
2029	139,746
Thereafter	1,428,380
<b>Total future minimum lease payments</b>	<b>2,092,892</b>
Less: portion representing interest	(666,087)
<b>Lease Liability</b>	<b>\$ 1,426,805</b>

## 10. NOTES PAYABLE

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

<b>June 30,</b>	<b>2024</b>
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### 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.

\$ 115,059

## **SHELTER, INC. AND AFFILIATES**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

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**June 30,**

**2024**

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

Note payable to Contra Costa County (CCC) under the 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 3.00%, 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



**SHELTER, INC. AND AFFILIATES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2024

**June 30,****2024****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 were originally due in December 2032. All unpaid principal and interest was paid on December 15, 2023.

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**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 were due in January 2025. The note was paid off in December 2023 with a new note payable with Bank of America with borrowings up to \$2,700,000, annual interest of 7.2%, and monthly principal and interest payments beginning January 15, 2024 through December 15, 2033.

2,678,630

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, matures September 2031.

151,836

**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** 5,825,421  
Less: unamortized loan fees (11,829)

**Total, net of unamortized loan fees** 5,813,592  
Less: current portion (64,733)

**Long-term portion** \$ 5,748,859

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
2025	\$ 46,106	\$ -	\$ 18,627	\$ 64,733
2026	267,614	-	20,223	287,837
2027	167,422	1,500,000	21,956	1,689,378
2028	77,114	-	23,837	100,951
2029	83,144	-	25,880	109,024
Thereafter	2,975,571	-	597,927	3,573,498
<b>Total</b>	<b>\$ 3,616,971</b>	<b>\$ 1,500,000</b>	<b>\$ 708,450</b>	<b>\$ 5,825,421</b>

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2024**

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An analysis of notes payable and accrued interest for the year ended June 30, 2024 is as follows:

<b>As of June 30, 2024</b>	<b>Current Portion</b>	<b>Noncurrent Portion</b>	<b>Principal Balance</b>	<b>Accrued Interest</b>
<b>SHELTER, Inc.</b>				
Amortizing	\$ 46,106	\$ 2,784,360	\$ 2,830,466	\$ -
Non-amortizing	-	786,505	786,505	460,568
<b>Total SHELTER, Inc.</b>	<b>46,106</b>	<b>3,570,865</b>	<b>3,616,971</b>	<b>460,568</b>
<b>NCC</b>				
Amortizing	18,627	96,432	115,059	890
Non-amortizing	-	593,391	593,391	-
<b>Total NCC</b>	<b>18,627</b>	<b>689,823</b>	<b>708,450</b>	<b>890</b>
<b>SSI</b>				
Non-amortizing	-	1,500,000	1,500,000	-
<b>Total SSI</b>	<b>-</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>-</b>
<b>Total</b>	<b>\$ 64,733</b>	<b>\$ 5,760,688</b>	<b>\$ 5,825,421</b>	<b>\$ 461,458</b>

**11. 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 discussed in Note 5.

## **SUPPLEMENTARY INFORMATION**

**SHELTER, INC. AND AFFILIATES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Agent Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor	Total Federal Expenditures	Expenditures to Subrecipients
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Community Development Block Grant (CDBG) (Entitlement Grants Cluster)				
<i>Pass-through awards</i>				
CDBG Antioch	14.218	City of Antioch	\$ 150,000	\$ -
CDBG CCC	14.218	Contra Costa County	30,847	-
CDBG-CV CCC	14.218	Contra Costa County	1,557,916	-
CDBG-CV Concord	14.218	City of Concord	137,114	-
CDBG-CV Pittsburg	14.218	City of Pittsburg	28,326	-
CDBG-CV Walnut Creek	14.218	City of Walnut Creek	24,803	-
<b>Total Community Development Block Grant</b>			<b>1,929,006</b>	<b>-</b>
<b>Emergency Solutions Grant Program (ESG)</b>				
<i>Pass-through awards</i>				
ESG CA State RRH	14.231	Contra Costa County	101,766	-
ESG State - Mountain View	14.231	Contra Costa County	35,607	-
ESG CCC	14.231	Contra Costa County	128,018	-
ESG Solano BoS RRH	14.231	Contra Costa County	17,013	-
<b>Total Emergency Solutions Grant Program</b>			<b>282,404</b>	<b>-</b>
<b>Continuum of Care Program (CoC) *</b>				
<i>Direct awards</i>				
Aspire Merged	14.267	HUD	60,950	-
Aspire	14.267	HUD	101,675	-
Esperanza - Contra Costa County	14.267	HUD	148,286	-
Esperanza - Sacramento (FY22-23)	14.267	HUD	71,489	-
Esperanza - Sacramento (FY23-24)	14.267	HUD	435,935	-
Esperanza - Sacramento Rising	14.267	HUD	157,186	-
Esperanza - Solano	14.267	HUD	43,089	-
Project Thrive (FY22-23)	14.267	HUD	268,445	-
Project Thrive (FY23-24)	14.267	HUD	852,113	-
Permanent Turning Point Program	14.267	HUD	(8,717)	-
Thrive CCC	14.267	HUD	154,757	-
Reach	14.267	HUD	215,319	-
Pelancha (New Pathway)	14.267	HUD	159,606	-

\* **Tested as a major program**

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

**SHELTER, INC. AND AFFILIATES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Agent Program Title	Federal Assistance Listing Number	Pass-Through Grantor	Agency or Expenditures	Total Federal Expenditures	Expenditures to Subrecipients
<i>Pass-through awards</i>					
Friendship Housing	14.267	Sacramento Steps Forward	\$	1,381,418	\$
New Community	14.267	Sacramento Steps Forward		343,196	
ReStart	14.267	Sacramento Steps Forward		1,592,311	
Destination Home (FY22-23)	14.267	Contra Costa County		161,345	
HUMS (FY22-23)	14.267	Contra Costa County		267,808	
Destination Home (FY23-24)	14.267	Contra Costa County		191,239	
HUMS (FY23-24)	14.267	Contra Costa County		424,710	
Tabora Garden	14.267	Satellite Affordable Housing Agency		114,905	
<b>Total Continuum of Care Program *</b>				<b>7,137,065</b>	
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				<b>9,348,475</b>	
<b>U.S. DEPARTMENT OF THE TREASURY</b>					
Coronavirus State and Local Fiscal Recovery Funds:					
<i>Pass-through awards</i>					
Emergency Rental Assistance Program	21.023	Local Initiatives Support Corporation		112,462	
<b>Total Coronavirus State and Local Fiscal Recovery Funds</b>				<b>112,462</b>	
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>				<b>112,462</b>	
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>					
Supportive Services for Veteran Families Program					
<i>Direct awards</i>					
Supportive Services for Veterans Families (SSVF)	64.033	VA		1,221,249	
Supportive Services for Veterans Families (SSVF-LT)	64.033	VA		50,141	
Supportive Services for Veterans Families (SSVF-Shallow Subsidy)	64.033	VA		186,751	
<b>Total Supportive Services for Veteran Families Program</b>				<b>1,458,141</b>	
Grant and Per Diem Program					
<i>Direct awards</i>					
Health Care for Homeless Veterans (HCHV) - Grant Per Diem Award	64.024	VA		177,270	
Homeless Veterans' Reintegration Program (HVRP)	17.805	VA		354,179	
<b>Total Grant and Per Diem Program</b>				<b>531,449</b>	
<b>TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				<b>1,989,590</b>	

\* Tested as a major program

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

**SHELTER, INC. AND AFFILIATES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Agent Program Title	Federal Assistance Listing Number	Pass-Through Grantor	Agency or Expenditures	Total Federal Expenditures	Expenditures to Subrecipients
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Crime Victim Assistance *					
<i>Pass-through awards</i>					
Transitional Housing Program (FY22-23)	16.575	California Governor's Office of Emergency Services	\$	256,066	\$ -
Transitional Housing Program (FY23-24)	16.575	California Governor's Office of Emergency Services		158,312	-
<b>Total Crime Victim Assistance *</b>				414,378	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				414,378	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Community Services Block Grant					
<i>Pass-through awards</i>					
Alcohol and Other Drug Substance Abuse (AODS)	93.569	Contra Costa County		311,416	-
<b>Total Community Services Block Grant</b>				311,416	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				311,416	-
<b>U.S. DEPARTMENT OF THE HOMELAND SECURITY</b>					
Emergency Food and Shelter National Board Program					
<i>Pass-through awards</i>					
CCC Emergency Food & Shelter Program - Phase 40	97.024	United Way of the Bay Area		21,211	-
CCC Emergency Food & Shelter Program - Phase 41	97.024	United Way of the Bay Area		32,588	-
CCC Emergency Food & Shelter Program - ARPA-R (Rental Assistance)	97.024	United Way of the Bay Area		2,784	-
CCC Emergency Food & Shelter Program - ARPA-R (Utilities)	97.024	United Way of the Bay Area		133	-
CCC Emergency Food & Shelter Program - Phase 39 Mountain View	97.024	United Way of the Bay Area		20,164	-
Sacramento Emergency Food & Shelter Program - Phase ARPA-R	97.024	Sacramento County		75,300	-
Sacramento Emergency Food & Shelter Program - Phase 39	97.024	Sacramento County		1,591	-
Solano Emergency Food & Shelter Program - Phase 40	97.024	United Way of the Bay Area		22,701	22,701
<b>Total Emergency Food and Shelter National Board Program</b>				176,472	22,701
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				176,472	22,701
<b>Total Federal Awards</b>			\$	12,352,793	\$ 22,701

\* Tested as a major program

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

## **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of SHELTER, Inc. under programs of the federal government for the year ended June 30, 2024 and is presented on the accrual basis of accounting. The information in the 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 minimis 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.*

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2024**

<b>Federal Grantor/Pass-through Agent Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Agency or Pass-Through Grant Number</b>	<b>Loan Balance</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>New Century Center</b>			
<i>Pass-through awards</i>			
Section 223(f)/207 mortgage insurance for the purchase of existing multifamily housing projects	14.155	Contra Costa County	\$ 115,059
Housing Opportunities for Persons with AIDS	14.155	Contra Costa County	214,000
			329,059
<b>SHELTER, Inc.</b>			
<b>Supportive Housing Program</b>			
<i>Pass-through awards</i>			
Permanent Housing for Handicapped Homeless Program - Sunset	14.235	Department of Housing and Community Development	94,975
<b>Community Development Block Grant</b>			
<i>Pass-through awards</i>			
Community Development Loan for Next Step	14.218	Contra Costa County	134,100
Community Development Rehab Loan for Next Step	14.218	Contra Costa County	32,400
<b>Housing Opportunities for Persons with AIDS</b>			
<i>Pass-through awards</i>			
Housing Opportunities for Persons with AIDS HOPWA loan for Landings	14.241	Contra Costa County	200,000
Home Investment Partnerships Program HOME loan for Landings	14.239	Contra Costa County	125,030
			586,505
<b>Total Federal Loans</b>			<b>\$ 915,564</b>

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





## **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, 2024, 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, and have issued our report thereon dated November 25, 2024.

### **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 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 or significant deficiencies may exist that were not identified.

### **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*.



### **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.

Encino, California  
November 25, 2024



## 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, 2024. 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, 2024.

#### ***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***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal



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

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

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

Encino, California  
November 25, 2024

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**JUNE 30, 2024

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**Section I—Summary of Auditor's Results****Consolidated Financial Statements – For the year ended June 30, 2024**

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

**Federal Awards**

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

**Identification of major programs:****Federal Assistance Listing Number**

14.267

16.575

**Name of Federal Program or Cluster**

Continuum of Care (CoC)

Crime Victims Assistance (CVA)

Dollar threshold used to distinguish between Type A and Type B programs:	<b>\$750,000</b>		
Auditee qualified as low-risk auditee?	_____ Yes	<u>  X  </u> No	

**Section II—Consolidated Financial Statement Findings**

None noted.

**Section III—Federal Award Findings and Questioned Costs**

None noted.

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2024

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**Section IV—Prior Year Findings****STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS - 2023**

None Reported.

