



**SHELTER, INC. AND AFFILIATES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORTS  
JUNE 30, 2025 AND 2024



# **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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JUNE 30, 2025 AND 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 statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Error**

As discussed in Note 11 to the consolidated financial statements, an error resulting in a misstatement of the Organization's previously issued consolidated financial statements for the year ended June 30, 2024, was identified. Accordingly, adjustments have been made to the amounts reported in the accompanying consolidated financial statements as of June 30, 2024, to correct the error. 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2026 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*

Encino, California  
February 19, 2026

# SHELTER, INC. AND AFFILIATES

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

<b>AS OF JUNE 30,</b>	<b>2025</b>	<b>As restated 2024</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 473,249	\$ 1,106,427
Contracts receivable	3,758,822	4,742,335
Receivables - rental, net	264,081	113,251
Contributions receivable, current	359,974	211,668
Inventory	76,376	110,808
Prepaid expenses	225,439	228,632
In-kind use of building, current	52,509	52,509
Current portion of restricted cash		
Tenant security deposits	113,361	160,023
<b>Total current assets</b>	<b>5,323,811</b>	<b>6,725,653</b>
Restricted cash		
Operating reserves	19,043	8,344
Replacement reserves	148,241	134,232
Other reserves	114,188	127,499
<b>Total restricted cash</b>	<b>281,472</b>	<b>270,075</b>
<b>Property and equipment, net</b>	<b>9,908,448</b>	<b>9,263,451</b>
Contributions receivable, net of current portion	140,000	165,000
In-kind use of building, net of current portion	1,824,692	1,877,201
Investments	406,884	2,195,146
Right-of-use asset	1,326,854	1,404,743
Landlord deposits, net	467,760	442,542
<b>Total assets</b>	<b>\$ 19,679,921</b>	<b>\$ 22,343,811</b>

See accompanying notes to consolidated financial statements.

## SHELTER, INC. AND AFFILIATES

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

<b>AS OF JUNE 30,</b>	<b>2025</b>	<b>As restated 2024</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,528,442	\$ 1,894,826
Deferred revenue	4,307	52,224
Line of credit	475,000	1,125,000
Tenant security deposits	134,413	147,991
Current portion of accrued interest payable	175,041	8,193
Current portion of lease liability	129,482	126,274
Current portion of notes payable	283,783	64,733
<b>Total current liabilities</b>	<b>2,730,468</b>	<b>3,419,241</b>
Notes payable, net of current portion and unamortized debt discounts and issuance costs	5,451,170	5,748,859
Lease liability, net of current portion	1,231,861	1,300,531
Accrued interest payable, net of current portion	307,259	460,568
<b>Total other liabilities</b>	<b>6,990,290</b>	<b>7,509,958</b>
<b>Total liabilities</b>	<b>9,720,758</b>	<b>10,929,199</b>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	6,385,038	6,169,779
Board designated funds	329,085	2,171,379
<b>Total net assets without donor restrictions</b>	<b>6,714,123</b>	<b>8,341,158</b>
<b>Net assets with donor restrictions</b>	<b>3,245,040</b>	<b>3,073,454</b>
<b>Total net assets</b>	<b>9,959,163</b>	<b>11,414,612</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,679,921</b>	<b>\$ 22,343,811</b>

See accompanying notes to consolidated financial statements.

# SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED JUNE 30,	2025			As restated 2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support and revenues</b>						
Private contributions (corporate, foundation and individuals)	\$ 1,092,609	\$ 1,137,493	\$ 2,230,102	\$ 1,402,337	\$ 657,748	\$ 2,060,085
Government contracts and grants	22,474,965	-	22,474,965	20,811,457	-	20,811,457
Contributed goods and services (Note 2)	725,565	-	725,565	318,334	-	318,334
Revenue from special events	271,793	-	271,793	229,890	-	229,890
Less: direct benefits to donors	(74,899)	-	(74,899)	(80,314)	-	(80,314)
<b>Total public support and revenues</b>	<b>24,490,033</b>	<b>1,137,493</b>	<b>25,627,526</b>	<b>22,681,704</b>	<b>657,748</b>	<b>23,339,452</b>
<b>Other revenues</b>						
Rental revenue	2,009,573	-	2,009,573	1,440,626	-	1,440,626
Other revenue	72,700	-	72,700	13,046	-	13,046
Interest income	3,127	-	3,127	4,455	-	4,455
<b>Total other revenues</b>	<b>2,085,400</b>	<b>-</b>	<b>2,085,400</b>	<b>1,458,127</b>	<b>-</b>	<b>1,458,127</b>
<b>Net assets released from restrictions</b>	<b>965,907</b>	<b>(965,907)</b>	<b>-</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>27,541,340</b>	<b>171,586</b>	<b>27,712,926</b>	<b>25,544,189</b>	<b>(746,610)</b>	<b>24,797,579</b>
<b>Expenses</b>						
Program services	23,330,714	-	23,330,714	22,206,044	-	22,206,044
General and administrative	5,349,761	-	5,349,761	4,880,039	-	4,880,039
Fundraising	556,468	-	556,468	608,122	-	608,122
<b>Total expenses</b>	<b>29,236,943</b>	<b>-</b>	<b>29,236,943</b>	<b>27,694,205</b>	<b>-</b>	<b>27,694,205</b>
<b>Change in net assets from operations</b>	<b>(1,695,603)</b>	<b>171,586</b>	<b>(1,524,017)</b>	<b>(2,150,016)</b>	<b>(746,610)</b>	<b>(2,896,626)</b>
Non-operating activities						
Investment income, net	68,568	-	68,568	924,429	-	924,429
<b>Total non-operating activities</b>	<b>68,568</b>	<b>-</b>	<b>68,568</b>	<b>924,429</b>	<b>-</b>	<b>924,429</b>
<b>Change in net assets</b>	<b>(1,627,035)</b>	<b>171,586</b>	<b>(1,455,449)</b>	<b>(1,225,587)</b>	<b>(746,610)</b>	<b>(1,972,197)</b>
Net assets, beginning of year	8,341,158	3,073,454	11,414,612	9,566,745	3,820,064	13,386,809
<b>Net assets, end of year</b>	<b>\$ 6,714,123</b>	<b>\$ 3,245,040</b>	<b>\$ 9,959,163</b>	<b>\$ 8,341,158</b>	<b>\$ 3,073,454</b>	<b>\$ 11,414,612</b>

See accompanying notes to consolidated financial statements.

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,	2025				As restated 2024			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
<b>Operating expenses</b>								
Salaries, taxes, and benefits	\$ 8,467,226	\$ 2,798,432	\$ 305,081	\$ 11,570,739	\$ 8,582,590	\$ 3,106,534	\$ 329,806	\$ 12,018,930
Direct client assistance	12,656,442	25,708	164,308	12,846,458	11,951,662	6,506	123,027	12,081,195
Repairs and maintenance	555,791	36,131	542	592,464	489,257	63,279	11,509	564,045
Travel and conference cost	171,714	92,414	6,452	270,580	158,030	120,098	4,731	282,859
Professional and legal fees	107,668	1,127,678	31,209	1,266,555	142,298	526,149	17,605	686,052
Property taxes and insurance	277,556	139,429	5	416,990	206,265	115,032	129	321,426
Advertising	5,070	38,066	1,568	44,704	7,646	49,993	1,887	59,526
Other operating expenses	382,759	768,371	121,711	1,272,841	302,748	568,929	125,831	997,508
Bad debt expense	344,769	-	-	344,769	117,405	-	-	117,405
Interest expense	25,692	254,296	-	279,988	40,209	255,537	-	295,746
Depreciation and amortization	336,027	69,236	491	405,754	207,934	67,982	73,911	349,827
<b>Total expenses by function</b>	<b>23,330,714</b>	<b>5,349,761</b>	<b>631,367</b>	<b>29,311,842</b>	<b>22,206,044</b>	<b>4,880,039</b>	<b>688,436</b>	<b>27,774,519</b>
Less expenses included with revenues:								
Cost of direct benefits to donors	-	-	(74,899)	(74,899)	-	-	(80,314)	(80,314)
<b>Total expenses in the consolidated statement of activities</b>	<b>\$ 23,330,714</b>	<b>\$ 5,349,761</b>	<b>\$ 556,468</b>	<b>\$ 29,236,943</b>	<b>\$ 22,206,044</b>	<b>\$ 4,880,039</b>	<b>\$ 608,122</b>	<b>\$ 27,694,205</b>

See accompanying notes to consolidated financial statements.

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>FOR THE YEARS ENDED JUNE 30,</b>	<b>2025</b>	<b>As restated 2024</b>
Cash flows from operating activities		
Change in net assets	\$ (1,455,449)	\$ (1,972,197)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	405,754	349,827
Contribution of stock	(4,728)	(65,036)
Amortization of debt discounts and issuance costs	483	5,674
In-kind use of building	52,509	52,509
Unrealized losses (gains) on investments	432,983	(624,440)
Realized gains on investments	(501,551)	-
Sale of contributed stock	4,557	65,586
Amortization of right-of-use asset	77,889	54,607
Provision for bad debt expense	344,769	117,405
Changes in operating assets and liabilities		
Contracts receivable	983,513	(168,429)
Receivables - rental	(495,599)	41,573
Inventory	34,432	16,322
Prepaid expenses	3,193	(71,715)
Contributions receivable	(123,306)	152,909
Landlord deposits, net	(25,218)	(55,076)
Accounts payable and accrued liabilities	(366,384)	42,940
Deferred revenue	(47,917)	(1,648,844)
Tenant security deposits liabilities	(13,578)	5,452
Accrued interest payable	13,539	18,248
Operating lease liability	(65,462)	(31,845)
<b>Net cash used in operating activities</b>	<b>(745,571)</b>	<b>(3,714,530)</b>
Cash flows from investing activities		
Expenditures for property and equipment	(1,050,751)	(524,114)
Sales of investments	1,857,001	2,152,337
<b>Net cash provided by investing activities</b>	<b>806,250</b>	<b>1,628,223</b>
Cash flows from financing activities		
Proceeds from line of credit	6,854,000	1,953,343
Proceeds from notes payable	-	2,700,000
Payments for deferred financing costs	-	(12,071)
Payment of line of credit	(7,504,000)	(2,828,343)
Payment of notes payable	(79,122)	(1,349,695)
<b>Net cash provided by (used in) financing activities</b>	<b>(729,122)</b>	<b>463,234</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(668,443)</b>	<b>(1,623,073)</b>
Cash, cash equivalents and restricted cash at beginning of year	1,536,525	3,159,598
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 868,082</b>	<b>\$ 1,536,525</b>

*See accompanying notes to consolidated financial statements.*

**SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>FOR THE YEARS ENDED JUNE 30,</b>	<b>2025</b>	<b>As restated 2024</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 263,134	\$ 243,840
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Right-of-use asset acquired	\$ -	\$ 868,107
<b>Supplemental disclosure of cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents	\$ 473,249	\$ 1,106,427
Restricted cash:		
Tenant security deposits	113,361	160,023
Operating reserves	19,043	8,344
Replacement reserves	148,241	134,232
Other reserves	114,188	127,499
<b>Cash, cash equivalents, and restricted cash</b>	<b>\$ 868,082</b>	<b>\$ 1,536,525</b>

*See accompanying notes to consolidated financial statements.*

# SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 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, Marin, Solano, and Sacramento Counties by providing resources that lead to self-sufficiency.

SHELTER wholly owns and operates the following:

<b>Wholly Owned Properties</b>	<b>Number of Units</b>
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 (Sunset Apartments)	4
84 West 6 <sup>th</sup> Street, Pittsburg, California (Pittsburg Family Center)	9
4553 Delta Fair Blvd., Antioch, California (Lyle Morris Apartments)	20
1333 Willow Pass Rd, Concord, California (Willow Pass)	1
935 East Street, Pittsburg, California (The Landings)	12
<b>Total units</b>	<b>61</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 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, 2025 AND 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. 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 \$329,085 designated by the Board as of June 30, 2025 for use in its housing programs and other operations, as needed.

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

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 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 statements of activities and change in net assets.

**Cash and Cash Equivalents** For purposes of the consolidated statements 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, replacement, and residual receipts 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. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as donor-restricted revenue. 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, 2025 and 2024, the Organization had outstanding contributions receivable amounting to \$499,974 and \$376,668, respectively, and management determined no allowance was required as of June 30, 2025 and 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, 2025 and 2024 because qualifying expenditures have not yet been incurred, with advance payments of \$4,307 and \$52,224, respectively, included in the accompanying consolidated statements of financial position as deferred revenue.

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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 revenue and recognized as revenue 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, 2025 and 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, 2025 and 2024 was \$678,727 and \$369,747, respectively.

**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 \$226,035 and \$147,861 is included in the accompanying consolidated statements of activities and change in net assets within rental revenue for the years ended June 30, 2025 and 2024, respectively.

**Contributed Goods and Services** Contributions of donated goods are recorded at fair value at the date of donation using the price for comparable goods available for public purchase. During the year ended June 30, 2025, the Organization received \$353,875 of contributed program supplies, of which \$76,376, including \$40,872 of gift cards, was reflected as inventory at June 30, 2025. 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 reflected as inventory at June 30, 2024. Inventory is expected to be used in the Organization's programs during the fiscal year ending in 2026. The use of contributed goods is 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.

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During the years ended June 30, 2025 and 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. During the year ended June 30, 2025, the Organization received \$371,690 of contributed legal services related to a litigation matter. The use of contributed legal services is included in professional and legal fees as general and administrative expense in the accompanying consolidated statements of functional expenses based on market rates. There were no donor restrictions associated with the contributed services received.

**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 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 \$4,728 and \$65,036 during the years ended June 30, 2025 and 2024, respectively, which are included in private contributions in the accompanying consolidated statements of activities and change in net assets.

**Property and Equipment** Property and equipment, 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:

<b>Description</b>	<b>Useful Life</b>
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 years ended June 30, 2025 and 2024.

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**Debt Discounts and Issuance Costs** Debt discounts and issuance costs are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt discounts and 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, 2021 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 statements 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 management's best 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.

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**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 Organization 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, either as direct owner or general partner, 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, 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, 2025, the Organization received funding from two government agencies which collectively accounted for 33% and 22%, respectively, of its total revenues and contracts receivable. 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.

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**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.

**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 statements of financial position date, comprise the following:

<b>At June 30,</b>	<b>2025</b>	<b>2024</b>
<b>Financial assets at year-end:</b>		
Cash and cash equivalents	\$ 473,249	\$ 1,106,427
Contracts receivable due within one year	3,758,822	4,742,335
Receivables – rental, net	264,081	113,251
Contributions receivable	499,974	376,668
<b>Total financial assets</b>	<b>4,996,126</b>	<b>6,338,681</b>
Less: amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	(1,367,839)	(1,143,744)
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 3,628,287</b>	<b>\$ 5,194,937</b>

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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 \$330,000 in board designated net assets held in investment 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).

**Liquidity and Going Concern** During November and December 2025, the Organization experienced significant liquidity pressure due to delays in the receipt of government contract receivables and reimbursement shortfalls under certain governmental contracts due to execution delays, indirect cost rate limitations and allowability restrictions. As a result, the Organization experienced a temporary cash shortfall, liquidated board designated investments, fully utilized its line of credit, and delayed certain vendor payments. These conditions raised substantial doubt about the Organization's ability to continue as a going concern for at least one year from the date the consolidated financial statements were available to be issued.

Management has subsequently collected approximately \$1,159,000 in aged governmental contract receivables, including billing of approximately \$533,000 of eligible expenses incurred during the preceding 6 months from newly obtained executed contracts, and paid down the line of credit in full. Further, Management has also increased development efforts toward additional philanthropic support.

As of the date the consolidated financial statements were available to be issued, Management believes these actions, together with expected ongoing collections of government contract receivables, are expected to provide sufficient liquidity to meet obligations as they become due for at least one year from the date the consolidated financial statements were available to be issued. Accordingly, while substantial doubt was raised, Management's plans have alleviated that doubt.

#### 4. CONTRACTS RECEIVABLE

Contracts receivable consists of the following:

<b>At June 30,</b>	<b>2025</b>	<b>2024</b>
Contracts receivable	\$ 2,193,191	\$ 3,205,582
Unbilled contracts receivable	1,565,631	1,536,753
<b>Total contracts receivable</b>	<b>\$ 3,758,822</b>	<b>\$ 4,742,335</b>

As of the date of the independent auditor's report, unbilled contracts receivable as of June 30, 2025 and 2024, have been reduced to \$0 as all contracts have been billed after the fiscal year-end. All amounts receivable are expected to be collected within one year.

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### 5. LINE OF CREDIT

SHELTER entered into a line of credit with Bank of America, with available borrowings up to \$1,125,000, variable interest payable (4.57% and 7.91% as of June 30, 2025 and 2024, respectively), and a current maturity date of December 2025, which was subsequently extended to December 2026. As of June 30, 2025 and 2024, the balance on the line of credit was \$475,000 and \$1,125,000, respectively. Interest expense for the years ended June 30, 2025 and 2024 was \$49,259 and \$104,203, respectively, of which \$4,953 and \$7,303, respectively, was outstanding and is included in accrued interest payable in the accompanying consolidated statements 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, 2025 is as follows:

	June 30, 2024	Additions	Released	June 30, 2025
<b>Subject to expenditure for special purposes:</b>				
Mountain View House	\$ -	\$ 101,551	\$ (101,551)	\$ -
Supportive Housing	18,257	-	(146)	18,111
General Prevention	275,667	22,345	(4,752)	293,260
Project Hearth	100,680	96,419	(97,822)	99,277
Adopt-A-Family	36,672	129,595	(112,811)	53,456
Employment Services	134,234	300	(26,248)	108,286
Solano Kitchen	152,966	-	(55,540)	97,426
Kaiser Solano RRH	48,017	-	-	48,017
SSVF	2,251	-	-	2,251
	768,744	350,210	(398,870)	720,084
<b>Subject to passage of time and expenditure for special use:</b>				
Gemmer Family Fund	100,000	-	(50,000)	50,000
Justice, Justice Foundation	-	150,000	-	150,000
Dean & Margaret Leshner Foundation	130,000	-	(65,000)	65,000
John Muir Health	145,000	-	(95,000)	50,000
Sunlight Giving	-	405,000	(130,000)	275,000
BANC General Operations	-	232,283	(174,528)	57,755
In-kind use of building	1,929,710	-	(52,509)	1,877,201
	2,304,710	787,283	(567,037)	2,524,956
<b>Total</b>	<b>\$ 3,073,454</b>	<b>\$ 1,137,493</b>	<b>\$ (965,907)</b>	<b>\$ 3,245,040</b>

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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	-	(52,519)	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>

## 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 statements 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 statements 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 statements of activities and change in net assets includes dividend and interest income, and realized and unrealized gains (losses), net of investment advisory fees.

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

<b>At June 30,</b>	<b>Fair Value</b>	
	<b>2025</b>	<b>2024</b>
Cash	\$ 74,449	\$ 66,477
Equity mutual funds	3,350	2,919
Equities – common stock	329,085	2,125,750
<b>Total investments</b>	<b>\$ 406,884</b>	<b>\$ 2,195,146</b>

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

<b>June 30,</b>	<b>2025</b>	<b>2024</b>
Unrealized loss on investments	\$ (432,983)	\$ 624,440
Realized gain on sale of investments	501,551	299,989
<b>Investment income, net</b>	<b>\$ 68,568</b>	<b>\$ 924,429</b>

### 8. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

<b>As of June 30,</b>	<b>2025</b>	<b>2024</b>
Land	\$ 1,593,993	\$ 1,593,993
Construction in progress	35,302	93,737
Buildings and improvements	10,805,517	10,237,076
Furniture and equipment	977,076	436,570
Vehicles	43,838	43,838
Less: accumulated depreciation and amortization	(3,547,278)	(3,141,763)
<b>Total property and equipment, net</b>	<b>\$ 9,908,448</b>	<b>\$ 9,263,451</b>

Depreciation and amortization expense related to property and equipment for the years ended June 30, 2025 and 2024 was \$405,754 and \$349,827, respectively.

### 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 \$3,476,280 and \$3,147,720 for the years ended June 30, 2025 and 2024, respectively, and is reflected as direct client assistance on the accompanying consolidated statements of functional expenses.

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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, 2025 and 2024 to be \$62,308 and \$68,052, respectively, which is included in accounts payable and accrued expenses in the accompanying statements 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 \$32,375 and \$29,363 for the years ended June 30, 2025 and 2024, respectively. 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, 2025 and 2024 was \$1,877,201 and \$1,929,710, respectively. For the years ended June 30, 2025 and 2024, SSI recorded \$52,509 and \$52,509, respectively, of in-kind rent expense in the accompanying consolidated statements of functional expenses.

**Rental Assistance Contracts** Certain 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.

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**Other Government 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.

**Governmental Grant Revenue Uncertainty** A significant portion of the Organization's revenue is derived from contracts and grants with the U.S. Department of Housing and Urban Development (HUD) to support its housing and service programs. Recent developments at the federal level have increased the risk of changes to HUD funding, including the potential for reductions, delays, or cancellation of grants and contracts, sometimes outside of normal contract terms. The Organization is therefore vulnerable to the risk of a near-term severe impact should there be a material reduction or loss of HUD funding. As of the date these financial statements were available to be issued, there have been no such changes, however, management is actively monitoring federal funding policy developments and maintaining communication with HUD and other relevant governmental agencies. The Organization has developed contingency plans to adjust operations if necessary. While management believes it is reasonably possible that changes in HUD funding could occur within the next year, the extent of the financial or operational impact on the Organization cannot be reasonably estimated at this time.

**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, 2025, the ROU asset and lease liability were \$1,326,854 and \$1,361,343, respectively. 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>
2026	\$ 129,482
2027	132,795
2028	136,215
2029	139,747
2030	143,393
Thereafter	1,284,987
<b>Total future minimum lease payments</b>	<b>1,966,619</b>
Less: portion representing interest	(605,275)
<b>Lease Liability</b>	<b>\$ 1,361,343</b>

# SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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## 10. NOTES PAYABLE

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

June 30,	2025	2024
<b><u>NCC</u></b>		
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.	\$ 96,391	\$ 115,059
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	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	214,000
<b><u>Landings</u></b>		
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	200,000
Note payable to CCC HOME loan, in the original amount of \$125,030, bears no interest, due September 2034.	125,030	125,030
<b><u>Next Step</u></b>		
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	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	32,400

# SHELTER, INC. AND AFFILIATES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

<u>June 30,</u>	<u>2025</u>	<u>2024</u>
<b><u>Sunset Apartments</u></b>		
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	94,975
<b><u>Mary McGovern House</u></b>		
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	200,000
<b><u>1333 Willow Pass Road</u></b>		
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 through December 15, 2033.	2,637,474	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.	132,539	151,836
<b><u>SSI</u></b>		
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	1,500,000
<b>Total</b>	5,746,300	5,825,421
Less: unamortized debt discounts and issuance costs	(11,347)	(11,829)
<b>Total, net of unamortized debt discounts and issuance costs</b>	5,734,953	5,813,592
Less: current portion	(283,783)	(64,733)
<b>Long-term portion</b>	<b>\$ 5,451,170</b>	<b>\$ 5,748,859</b>

## SHELTER, INC. AND AFFILIATES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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
2026	\$ 263,560	\$ -	\$ 20,223	\$ 283,783
2027	163,083	1,500,000	21,956	1,685,039
2028	72,471	-	23,837	96,308
2029	78,171	-	25,880	104,051
2030	83,771	-	4,495	88,266
Thereafter	2,895,462	-	593,391	3,488,853
<b>Total</b>	<b>\$ 3,556,518</b>	<b>\$ 1,500,000</b>	<b>\$ 689,782</b>	<b>\$ 5,746,300</b>

An analysis of notes payable and accrued interest for the years ended June 30, 2025 and 2024 is as follows:

As of June 30, 2025	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
<b>SHELTER, Inc.</b>				
Amortizing	\$ 63,560	\$ 2,706,453	\$ 2,770,013	\$ -
Non-amortizing	200,000	586,505	786,505	481,561
<b>Total SHELTER, Inc.</b>	<b>263,560</b>	<b>3,292,958</b>	<b>3,556,518</b>	<b>481,561</b>
<b>NCC</b>				
Amortizing	20,223	76,168	96,391	739
Non-amortizing	-	593,391	593,391	-
<b>Total NCC</b>	<b>20,223</b>	<b>669,559</b>	<b>689,782</b>	<b>739</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>\$ 283,783</b>	<b>\$ 5,462,517</b>	<b>\$ 5,746,300</b>	<b>\$ 482,300</b>

As of June 30, 2024	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
<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>

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

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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### **11. PRIOR PERIOD ADJUSTMENT**

During 2025, management became aware that the depreciation calculations from previous periods for certain assets in connection with SSI's building and kitchen improvements were using incorrect useful lives, which resulted in SSI's assets to be over-depreciated by \$225,599 during the year ended June 30, 2024. Adjustments were recorded in 2025 to reduce accumulated depreciation and increase net assets by \$225,599 for the year ended June 30, 2025.

### **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 3.



## **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, 2025, 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 February 19, 2026.

### **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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2025-001, that we consider to be a significant deficiency.

### **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 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*.

### **Management's Response to Findings**

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

Encino, California  
February 19, 2026

# **SHELTER, INC. AND AFFILIATES**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

JUNE 30, 2025

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## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS - 2025**

### **Finding #2025-001**

Significant Deficiency – Financial Closing and Reporting Process

**Condition:** During our audit, we noted numerous audit areas for which Management’s review and approval process did not adequately or timely identify necessary adjustments. Due to transitions within the finance department, the Organization was not able to implement adequate internal control over the consolidated financial statement closing and reporting process to allow for timely preparation and review of year-end reconciliations in 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 in management and finance positions did not allow for consistent implementation of existing internal controls over financial reporting.

**Effect:** Certain internal controls were not consistently or effectively implemented resulting in revisions of the year end trial balance and post-closing adjustments identified by the auditor and provided by the Organization to correct the misstatements.

**Recommendation:** Management should ensure the Organization’s finance team is appropriately staffed to ensure existing financial reporting processes and controls can be effectively implemented, transactions are captured in the correct period, and account reconciliations are performed in a timely manner. Additionally, we suggest implementing internal controls and staff training to promote the consistent application of U.S. GAAP and to improve the accuracy of financial reporting.

**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.

## **STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS - 2024**

None Reported.



**SHELTER, Inc.**

**Corrective Action Plan**

**June 30, 2025, External Audit**

**February 13, 2026, Response**

**Contact Person(s):**

Sarah Spector, Chief Operating Officer / Chief Financial Officer

**Finding #2025-001 – Financial Closing and Reporting Process**

Recommendation:

Management should ensure the Organization's finance team is appropriately staffed to ensure existing financial reporting processes and controls can be effectively implemented, transactions are captured in the correct period, and account reconciliations are performed in a timely manner. Additionally, we suggest implementing internal controls and staff training to promote the consistent application of U.S. GAAP and to improve the accuracy of financial reporting.

Management's Action Plan:

The Organization's prior controller's employment terminated in January 2026 after efforts were taken to address performance issues commensurate with the auditor's finding. Management recognizes that the most critical step in addressing this finding is ensuring the Controller position is filled by a highly qualified individual with the necessary skills and experience to effectively manage the organization's financial reporting processes and internal controls. We have initiated an active search for a new Controller and are committed to recruiting a candidate who possesses demonstrated experience in nonprofit accounting, federal grant compliance, and financial reporting in accordance with U.S. GAAP. The ideal candidate will have a proven track record of implementing and maintaining strong internal controls, managing month-end and year-end close processes, and ensuring timely and accurate preparation of financial statements and account reconciliations.

The recruitment process is being overseen by the Chief Financial Officer. We are utilizing a comprehensive recruiting process to attract and assess qualified candidates. Our position description emphasizes the need for experience with audits, familiarity with requirements for federal awards, and the ability to work effectively with external auditors.

We are targeting completion of the recruitment process within 60-90 days from the initiation of the search, which began on January 26, 2026. This timeline includes position posting, candidate screening, interviews with management, Human Resources, and an external accounting expert, reference checks that specifically probe for reliability in meeting reporting deadlines and maintaining accurate financial records, and final selection. Once a candidate is identified, we will work expeditiously to bring them on board, recognizing that the stability and expertise provided by a qualified Controller is essential to preventing recurrence of the deficiencies identified in this finding. In the interim period before the new Controller starts, we are implementing temporary measures to



ensure continuity of financial operations and control implementation including potentially engaging a qualified external accounting consultant/firm to provide interim Controller support and oversight of month-end and year-end close processes.

In weekly one-on-one meetings the CFO will evaluate the Controller's performance against specific benchmarks and deliverables established for the first ninety days, including: (1) timely completion of month-end close, with all required account reconciliations completed and reviewed; (2) completion of all outstanding prior-period reconciliations or clean-up items identified during the transition; (3) demonstration of technical proficiency in the organization's accounting software and systems; (4) proper application of U.S. GAAP and government grant accounting principles, as evidenced by review of journal entries and account classifications; and (5) effective communication and responsiveness to questions from the CFO, external auditors, and program staff.

Following the first ninety days, the CFO will continue to monitor the Controller's performance through both scheduled and risk-based assessment activities. Weekly one-on-one meetings will continue as a standing practice to maintain open communication, review work product quality, and identify any emerging issues or training needs. The CFO will conduct detailed ad hoc reviews of the Controller's work, including: (1) examination of account reconciliations for completeness, accuracy, and timely resolution of reconciling items; (2) review of significant journal entries, particularly any nonrecurring transactions, for proper documentation, appropriate account coding, and technical accuracy; (3) assessment of whether financial reports are completed on schedule and contain accurate, meaningful information; and (4) evaluation of whether grant reporting and compliance requirements are being met without errors or omissions.

By implementing this comprehensive performance monitoring framework, the organization will significantly reduce the risk of recurring financial reporting deficiencies due to inadequate controller performance, while also providing the new Controller with clear expectations, regular feedback, and appropriate support to succeed in the role.

Anticipated Completion Date for Corrective Action:

The anticipated completion date is April 30, 2026 for hiring of the Controller and then ongoing for the risk assessment.

Sarah Spector, CPA  
Chief Operating Officer / Chief Financial Officer