SHELTERCARE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT INFORMATION

For the Years Ended June 30, 2017 and 2016

SHELTERCARE AND SUBSIDIARY
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For the Years Ended June 30, 2017 and 2016

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SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2017 and 2016**,** and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ShelterCare and subsidiary as of June 30, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were 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 audits 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 January 23, 2018, on our consideration of ShelterCare and subsidiary'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 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 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 ShelterCare and subsidiary's internal control over financial reporting and compliance.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2018

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 199,940	$ 268,788
Receivables:		
Grant and contracts receivable, net of allowance of $-0- for 2017 and 2016	472,349	283,766
Program services receivable, net of allowance of $72,519 for 2017 and $25,972 for 2016	567,519	241,059
Capital Campaign pledges receivable, current portion	11,000	24,036
Prepaid expenses and deposits	164,817	207,302
Total current assets	1,415,625	1,024,951
Property and equipment, net	4,470,396	4,683,006
Other assets		
Capital Campaign pledges receivable, net of current portion and net of allowance of $1,169 for 2017 and $2,247 for 2016	11,206	18,652
Interest in net assets of ShelterCare Foundation	3,896,324	3,835,124
Total other assets	3,907,530	3,853,776
Total assets	$ 9,793,551	$ 9,561,733

	2017	2016
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 65,920	$ 43,973
Advance payable	201,000	-
Payroll and related accruals	217,635	182,130
Accrued vacation	137,602	125,839
Client deposits payable	1,325	1,375
Accrued interest payable	23,549	23,549
Line of credit	300,000	-
Current portion of long-term debt	43,212	40,993
Total current liabilities	990,243	417,859
Long-term liabilities		
Long-term debt, net of current portion and deferred financing fees	5,020,847	5,055,327
Total liabilities	6,011,090	5,473,186
Net assets		
Unrestricted:		
Undesignated	(588,342)	5,495
Board-designated endowment	3,896,324	3,835,124
Total unrestricted	3,307,982	3,840,619
Temporarily restricted	474,479	247,928
Total net assets	3,782,461	4,088,547
Total liabilities and net assets	$ 9,793,551	$ 9,561,733

The accompanying notes are an integral part of these consolidated statements.

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Federal assistance	$ 1,080,515	$ -	$ 1,080,515
State and local assistance	1,953,998	-	1,953,998
United Way	56,904	-	56,904
Grants and contributions	405,769	385,867	791,636
In-kind contributions	147,263	-	147,263
Program service revenue	3,669,438	-	3,669,438
Change in interest in net assets of ShelterCare Foundation	112,400	-	112,400
Interest income	111	-	111
Other income	57,542	-	57,542
Net assets released from restrictions	159,316	(159,316)	-
Total revenues, gains, and other support	7,643,256	226,551	7,869,807
Expenses			
Program services:			
Homeless services:			
Emergency shelter, HPP, and transitional services	2,016,548	-	2,016,548
Mental health services:			
Crisis respite and intensive residential care	1,298,008	-	1,298,008
Supportive housing	2,838,638	-	2,838,638
Acquired brain injury services	418,059	-	418,059
Total program services	6,571,253	-	6,571,253
Support services:			
General and administrative	1,222,976	-	1,222,976
Fundraising	205,464	-	205,464
Total support services	1,428,440	-	1,428,440
ShelterCare 499 Project	176,200	-	176,200
Total expenses	8,175,893	-	8,175,893
Change in net assets	(532,637)	226,551	(306,086)
Net assets, beginning of year	3,840,619	247,928	4,088,547
Net assets, end of year	$ 3,307,982	$ 474,479	$ 3,782,461

The accompanying notes are an integral part of these consolidated statements.

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Federal assistance	$ 980,362	$ -	$ 980,362
State and local assistance	1,267,935	-	1,267,935
United Way	73,537	-	73,537
Grants and contributions	279,825	-	279,825
In-kind contributions	151,764	-	151,764
Program service revenue	3,921,136	-	3,921,136
Change in interest in net assets of ShelterCare Foundation	2,359	-	2,359
Interest income	31,482	-	31,482
Other income	90,361	-	90,361
Net assets released from restrictions	206,798	(206,798)	-
Total revenues, gains, and other support	7,005,559	(206,798)	6,798,761
Expenses			
Program services:			
Homeless services:			
Emergency shelter, HPP, and transitional services	1,707,367	-	1,707,367
Mental health services:			
Crisis respite and intensive residential care	1,190,652	-	1,190,652
Supportive housing	2,450,685	-	2,450,685
Acquired brain injury services	421,081	-	421,081
Total program services	5,769,785	-	5,769,785
Support services:			
General and administrative	1,186,665	-	1,186,665
Fundraising	179,565	-	179,565
Total support services	1,366,230	-	1,366,230
ShelterCare 499 Project	176,645	-	176,645
Total expenses	7,312,660	-	7,312,660
Change in net assets	(307,101)	(206,798)	(513,899)
Net assets, beginning of year	4,147,720	454,726	4,602,446
Net assets, end of year	$ 3,840,619	$ 247,928	$ 4,088,547

The accompanying notes are an integral part of these consolidated statements.

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (306,086)	$ (513,899)
Adjustments to reconcile change in net assets		
to net cash used by operating activities:		
Depreciation	258,291	256,941
Amortization of deferred financing fees	8,607	8,607
Gain on disposal of fixed assets	-	(1,069)
Noncash change in interest in ShelterCare Foundation	(112,400)	(2,359)
Capital Campaign contributions	(21,560)	(32,350)
(Increase) decrease in:		
Grants and contracts receivable	(188,583)	110,102
Program services receivable	(326,460)	(89,398)
Capital Campaign pledges receivable	20,482	31,379
Prepaid expenses and deposits	42,485	(35,934)
Increase (decrease) in:		
Accounts payable	21,947	(14,290)
Advance payable	201,000	-
Payroll and related accruals	35,505	2,075
Accrued vacation	11,763	2,962
Client deposits payable	(50)	(10)
Accrued interest payable	-	448
Net cash used by operating activities	(355,059)	(276,795)
Cash flows from investing activities		
Purchase of property and equipment	(45,682)	(55,883)
Proceeds from the sale of property and equipment	-	1,069
Proceeds from interest in ShelterCare Foundation	51,200	51,200
Net cash provided (used) by investing activities	5,518	(3,614)
Cash flows from financing activities		
Net proceeds from line of credit	300,000	-
Proceeds from Capital Campaign contributions	21,560	32,350
Principal payments on long-term debt	(40,867)	(38,752)
Net cash provided (used) by financing activities	280,693	(6,402)

	2017	2016
Net decrease in cash and cash equivalents	(68,848)	(286,811)
Cash and cash equivalents, beginning of year	268,788	555,599
Cash and cash equivalents, end of year	$ 199,940	$ 268,788
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 130,828	$ 123,341
Supplemental disclosure of noncash investing and financing activities		
Total increase (decrease) in interest in ShelterCare Foundation	$ 61,200	$ (48,841)
Less noncash change in interest in ShelterCare Foundation	(112,400)	(2,359)
Cash proceeds from interest in ShelterCare Foundation	$ (51,200)	$ (51,200)

The accompanying notes are an integral part of these consolidated statements.

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services					
	Homeless Services		**Mental Health Services**			
	Emergency Shelter, HPP, and Transitional Services		Crisis Respite and Intensive Residential Care		**Acquired Brain Injury Services**	
	Family Housing Program	McKenzie Rapid Rehousing	Garden Place	ShelterCare Supported Housing	Uhlhorn Program	Total Program Services
Salaries and wages	$ 485,876	$ 199,303	$ 811,608	$ 1,414,111	$ 268,237	$ 3,179,135
Payroll taxes	35,839	14,607	59,815	103,874	21,077	235,212
Health benefits	32,634	27,574	82,139	160,586	30,904	333,837
Retirement plan expense	1,786	2,338	7,460	12,898	3,904	28,386
Other fringe benefits	12,032	4,235	21,342	35,143	6,154	78,906
Training	788	200	560	7,288	1,039	9,875
Travel	8,273	3,393	2,976	23,752	12,005	50,399
Client assistance	397,566	466,429	44,718	613,876	5,032	1,527,621
Rent	12,025	-	2,747	121,802	17,382	153,956
Utilities	54,503	1,747	12,545	31,181	-	99,976
Telephone and cellular services	9,945	1,630	5,085	17,202	6,072	39,934
Fundraising events	-	-	-	-	-	-
Insurance	12,178	7,305	12,177	16,013	6,552	54,225
Medical and professional services	18,355	6,549	42,619	39,687	7,896	115,106
Repairs and maintenance	114,898	1,283	69,542	89,825	15,194	290,742
Supplies	54,607	4,280	48,295	83,498	16,384	207,064
Miscellaneous	249	33	500	8,685	7	9,474
Interest	-	4,581	23,347	28,505	-	56,433
Volunteer program expense	187	187	187	939	187	1,687
Recruiting	751	349	1,117	532	33	2,782
Bad debt expense	-	-	-	-	-	-
Total functional expenses before depreciation	1,252,492	746,023	1,248,779	2,809,397	418,059	6,474,750
Depreciation	15,373	2,660	49,229	29,241	-	96,503
Total functional expenses	$ 1,267,865	$ 748,683	$ 1,298,008	$ 2,838,638	$ 418,059	$ 6,571,253

Support Services		Total Program		
General and Administrative	Fundraising	and Support Services	ShelterCare 499 Project	Total Expenses
$ 733,762	$ 134,680	$ 4,047,577	$ -	$ 4,047,577
52,902	9,102	297,216	-	297,216
44,451	10,815	389,103	-	389,103
7,299	1,179	36,864	-	36,864
32,328	2,916	114,150	-	114,150
20,719	256	30,850	-	30,850
8,572	2,954	61,925	-	61,925
2,309	30	1,529,960	-	1,529,960
3,783	-	157,739	-	157,739
5,223	860	106,059	-	106,059
3,760	628	44,322	-	44,322
-	15,741	15,741	-	15,741
18,464	4,059	76,748	-	76,748
130,145	2,759	248,010	6,970	254,980
12,368	678	303,788	-	303,788
41,633	11,751	260,448	-	260,448
24,819	3,823	38,116	125	38,241
25,260	2,036	83,729	52,652	136,381
-	-	1,687	-	1,687
3,211	15	6,008	-	6,008
12,333	-	12,333	-	12,333
1,183,341	204,282	7,862,373	59,747	7,922,120
39,635	1,182	137,320	116,453	253,773
$ 1,222,976	$ 205,464	$ 7,999,693	$ 176,200	$ 8,175,893

The accompanying notes are an integral part of these consolidated statements.

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services					
	Homeless Services		Mental Health Services		Acquired Brain Injury Services	
	Emergency Shelter, HPP, and Transitional Services		Crisis Respite and Intensive Residential Care			
	Family Housing Program	McKenzie Rapid Rehousing	Garden Place	ShelterCare Supported Housing	Uhlhorn Program	Total Program Services
Salaries and wages	$ 385,015	$ 194,390	$ 777,479	$ 1,266,924	$ 257,351	$ 2,881,159
Payroll taxes	28,362	14,015	58,333	91,122	18,513	210,345
Health benefits	29,663	28,581	46,018	117,516	34,731	256,509
Retirement plan expense	1,711	2,239	7,144	12,352	3,738	27,184
Other fringe benefits	9,568	4,343	23,524	34,660	7,202	79,297
Training	638	210	1,432	6,531	1,668	10,479
Travel	6,568	5,318	3,703	30,745	1,575	47,909
Client assistance	206,905	422,047	39,974	427,157	2,655	1,098,738
Rent	11,999	-	910	137,997	16,968	167,874
Utilities	45,062	2,116	12,109	24,046	173	83,506
Telephone and cellular services	9,022	1,640	4,010	16,578	5,975	37,225
Fundraising events	-	-	-	-	-	-
Insurance	11,628	6,978	11,628	15,335	6,201	51,770
Medical and professional services	31,829	17,533	30,716	42,277	5,462	127,817
Repairs and maintenance	137,442	2,279	27,083	69,766	11,970	248,540
Supplies	53,062	10,001	45,672	132,647	17,454	258,836
Uniforms and laundry	100	-	-	109	-	209
Miscellaneous	50	3,462	52	7,720	29,170	40,454
Interest	-	4,509	37,648	18,680	-	60,837
Volunteer program expense	216	232	23	615	235	1,321
Recruiting	750	1	798	392	40	1,981
Bad debt expense	-	-	-	-	-	-
Program allocation	343	756	12,268	(13,367)	-	-
Total functional expenses before depreciation	969,933	720,650	1,140,524	2,439,802	421,081	5,691,990
Depreciation	16,784	-	50,128	10,883	-	77,795
Total functional expenses	$ 986,717	$ 720,650	$ 1,190,652	$ 2,450,685	$ 421,081	$ 5,769,785

Support Services: General and Administrative	Support Services: Fundraising	Total Program and Support Services	ShelterCare 499 Project	Total Expenses
$ 649,475	$ 118,267	$ 3,648,901	$ -	$ 3,648,901
46,755	8,983	266,083	-	266,083
72,139	4,253	332,901	-	332,901
6,990	1,129	35,303	-	35,303
26,984	2,988	109,269	-	109,269
27,716	559	38,754	-	38,754
3,168	2,865	53,942	-	53,942
94	-	1,098,832	-	1,098,832
10,021	-	177,895	-	177,895
6,652	712	90,870	-	90,870
4,471	777	42,473	-	42,473
-	16,733	16,733	-	16,733
18,270	3,876	73,916	-	73,916
96,580	5,035	229,432	7,395	236,827
20,817	-	269,357	-	269,357
46,986	7,604	313,426	-	313,426
-	-	209	-	209
26,107	3,835	70,396	145	70,541
14,397	1,932	77,166	52,652	129,818
-	-	1,321	-	1,321
2,769	17	4,767	-	4,767
46,327	-	46,327	-	46,327
-	-	-	-	-
1,126,718	179,565	6,998,273	60,192	7,058,465
59,947	-	137,742	116,453	254,195
$ 1,186,665	$ 179,565	$ 7,136,015	$ 176,645	$ 7,312,660

The accompanying notes are an integral part of these consolidated statements.

1. Summary of Significant Accounting Policies

Nature of Organization

ShelterCare, a nonprofit organization, was incorporated under the laws of the state of Oregon on December 2, 1970. ShelterCare provides services in Lane County, Oregon. The principal services include:

Homeless Services: Emergency Shelter, Homelessness Prevention Program (HPP), and Transitional Services. Services include emergency shelter and support for families with children and other services for families and individuals needing assistance to acquire or maintain housing. Facilities include Family Housing and ShelterCare Medical Recuperation. Other programs operating from the Center for Programs and Services are McKenzie Rapid Rehousing and Homelessness Prevention.

Mental Health Services: Homeless and Transitional Services include transitional and longer-term supported housing for individuals with psychiatric disabilities, including supported employment services. Programs include the Shankle Program, State Rental Assistance Program, and scattered site supported housing and services offered at Hawthorn Apartments, Signpost Apartments, and Afiya Apartments. Garden Place Residence is an Intensive Residential Care program providing longer-term services for individuals with psychiatric disabilities needing more intensive treatment. Services are provided through the ShelterCare Supported Housing Program.

Acquired Brain Injury Services: Services include supported housing and other services for individuals with an acquired brain injury. Services are provided through the Uhlhorn Program at two facilities (Uhlhorn Apartments and River Kourt Apartments) in Eugene.

In August 2013, ShelterCare established ShelterCare 499 Project, which is a wholly owned subsidiary. The primary purpose of ShelterCare 499 Project is to support ShelterCare by holding real estate used by ShelterCare in its program activities.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ShelterCare and ShelterCare 499 Project, collectively referred to hereafter as “ShelterCare”. Inter-company transactions and balances have been eliminated in consolidation.

1. Summary of Significant Accounting Policies, continued

Income Tax Status

ShelterCare and ShelterCare 499 Project are nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code (IRC). ShelterCare and ShelterCare 499 Project file required information returns with both the U.S. federal jurisdiction and the state of Oregon. Federal income and state excise taxes are calculated for unrelated business income at current statutory rates. There was no net taxable unrelated business income as a result of unrelated business activities for the years ended June 30, 2017 and 2016, for either entity; therefore, no provision for taxes has been made.

Recent Accounting Standard Adopted

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires ShelterCare to present debt issuance costs as a direct deduction from the carrying value of the related debt liability and amortization is required to be included with interest expense in the consolidated statements of activities. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. ShelterCare has adopted the provisions of ASU 2015-03 and prior period amounts have been retroactively reclassified to conform to the current period presentation. As a result, as of June 30, 2016, $187,780 of unamortized deferred financing costs related to ShelterCare's long-term debt were reclassified in the consolidated statement of financial position from other assets to long-term debt and for the year ended June 30, 2016, $8,607 of amortization expense related to such deferred financing costs were reclassified to interest expense in the consolidated statement of activities, with no effect on previously reported change in net assets. Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on ShelterCare's financial position, results of activities, or cash flows.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, ShelterCare considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents included the following:

	2017	2016
Savings and checking accounts	$ 61,079	$ 153,084
Money market funds	138,396	115,239
Petty cash	465	465
Total cash and cash equivalents	$ 199,940	$ 268,788

Receivables

Grant and contracts receivable is primarily comprised of amounts receivable from state and local governments and other agencies that provide assistance to ShelterCare for its programs. Management provides an allowance for doubtful accounts receivable based on delinquency of accounts and historical experience. None of the receivables are secured.

1. Summary of Significant Accounting Policies, continued

Receivables, continued

Program services receivables are comprised of receivables from clients, the local coordinated care organization, and state and local governmental units that receive services provided by ShelterCare. Management provides an allowance for doubtful accounts receivable based on delinquency of accounts, contractual terms, and historical experience. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to the applicable receivable account. None of the receivables are secured.

Capital Campaign pledges receivable is comprised of unconditional promises to give related to ShelterCare's Capital Campaign. The reported value is a fair representation of the future value of the receivables. Amounts are written-off when determined that they are uncollectible. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges at year-end. None of the pledges receivable are secured.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the asset's estimated useful life. Major renewals and betterments are capitalized and included in property and equipment accounts if the cost exceeds $2,500, while expenditures for maintenance, minor repairs, and replacements are charged directly to expense.

Deferred Financing Costs

Deferred financing costs are recorded at cost and are amortized over the life of the related loan (30 years).

Net Assets

Under generally accepted accounting principles, ShelterCare is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Restricted donations for which the restriction is met during the same fiscal year are recorded as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Currently, ShelterCare has no permanently restricted net assets.

Revenues and Other Support

Support for programs comes from federal, state, and local grants and contracts; United Way; and contributions. ShelterCare also earns fee-for-service revenue under various contractual arrangements. Program service revenue is comprised primarily of fee-for-service revenue and is recognized in the period in which ShelterCare provides the services. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

1. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

ShelterCare allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly to that program or support service according to their natural expenditure classification. Other expenses that are common to several functions are allocated among the programs and support services benefited.

Advertising and Marketing Costs

ShelterCare expenses advertising and marketing costs as incurred.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of June 30, 2017 and 2016, the fair value of ShelterCare’s interest in the net assets of ShelterCare Foundation was $3,896,324 and $3,835,124, respectively. ShelterCare recognizes its interest in the net assets of ShelterCare Foundation at its estimated fair value using valuation techniques that rely on Level 3 inputs.

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

The valuation technique used by ShelterCare to value its interest in the net assets of ShelterCare Foundation is to rely on the value furnished by Oregon Community Foundation (OCF) of the assets ShelterCare Foundation holds at OCF. OCF invests in a variety of assets which are valued using inputs categorized within all levels of the fair value hierarchy (Levels 1, 2, and 3). Based on those values, OCF furnishes to ShelterCare Foundation an estimated value of ShelterCare Foundation's interest in the assets of OCF. Since the value provided by OCF includes significant reliance on Level 3 inputs, the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation is categorized within the valuation hierarchy as an asset valued using Level 3 inputs.

2. Property and Equipment

At June 30, property and equipment consisted of the following:

	2017	2016
Land	$ 874,436	$ 869,048
Building	4,597,287	4,595,408
Leasehold improvements	415,900	403,051
Equipment and furnishings	262,516	258,901
Other property	406,279	384,329
	6,556,418	6,510,737
Accumulated depreciation	(2,086,022)	(1,827,731)
Property and equipment, net	$ 4,470,396	$ 4,683,006

Depreciation expense for the years ended June 30, 2017 and 2016, was $258,291 and $256,941 of which $4,519 and $2,746, respectively, is included in repairs and maintenance on the consolidated statements of functional expenses.

3. Interest in Net Assets of ShelterCare Foundation

During 2006, ShelterCare terminated its endowment fund with OCF and transferred all remaining assets to a newly formed exempt organization, ShelterCare Foundation. ShelterCare specified itself as the beneficiary of ShelterCare Foundation assets. Variance power has not been granted by ShelterCare to ShelterCare Foundation. ShelterCare Foundation established an endowment fund with OCF to manage its investment portfolio. ShelterCare reports as an asset its interest in the net assets of ShelterCare Foundation at fair value as an asset measured with Level 3 inputs. The interest in the net assets of ShelterCare Foundation is considered a Board-designated endowment.

3. Interest in Net Assets of ShelterCare Foundation, continued

Upon request, ShelterCare Foundation may make distributions to ShelterCare. The Board of Directors of ShelterCare shall submit a request for distribution. The request shall indicate the amount of the requested distribution, which will not exceed the annual payout amount to be provided to ShelterCare Foundation by OCF. The description must contain sufficient detail to enable the Board to determine to its satisfaction that the intended use of the distribution meets the criteria.

In the event ShelterCare Foundation's Board of Directors determines that the intended use of the distribution meets the criteria, then it shall approve ShelterCare's request for distribution and shall make the requested proceeds available to ShelterCare immediately upon the availability of such funds. In the event ShelterCare Foundation's Board of Directors determines that the intended use of the distribution fails to meet the criteria, then it may require additional information from ShelterCare to make a final determination on the matter.

For the years ended June 30, 2017 and 2016, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	2017	2016
Balance, beginning of year	$ 3,835,124	$ 3,883,965
Change in fair market value	81,999	(29,672)
Interest and dividend reinvested	6,211	9,184
Interest income from notes receivable	31,200	31,200
Distributions to ShelterCare	(51,200)	(51,200)
Expenses	(7,010)	(8,353)
Balance, end of year	$ 3,896,324	$ 3,835,124

4. Long-term Debt

At June 30, long-term debt consisted of the following:

	2017	2016
Note payable to Columbia Bank, secured by investment in real estate. The note agreement calls for monthly payments of $9,690, including interest at 5.21% commencing October 1, 2011. The note is due in full September 1, 2021.	$ 1,403,233	$ 1,444,100

4. Long-term Debt, continued

	2017	2016
Note payable to Enhanced Capital New Market Development Fund XVII, LLC, secured by assignment of leases, rents, and real estate, accrues interest at 1.2032% per annum. Annual payments of interest only are due beginning December 2014 and ending December 2020. Beginning December 1, 2021, annual payments of principal and interest of $192,118 are due. The note is due in full December 31, 2043.	3,840,000	3,840,000
	5,243,233	5,284,100
Unamortized deferred financing costs	(179,174)	(187,780)
Current portion	(43,212)	(40,993)
Long-term debt, net of current portion and unamortized deferred financing costs	$ 5,020,847	$ 5,055,327

Total interest expense for these notes for the years ended June 30, 2017 and 2016, was $139,435 and $132,395, respectively, of which $3,054 and $2,577, respectively, was allocated and included in repairs and maintenance, and $8,607 was related to the amortization of the deferred financing fees.

Future maturities for long-term debt described above are as follows:

Year Ending June 30,	
2018	$ 43,212
2019	45,550
2020	47,827
2021	50,604
2022	1,361,827
Thereafter	3,694,213
Total	$ 5,243,233

5. Line of Credit

ShelterCare has an agreement for a $500,000 line of credit with Columbia Bank. The line of credit bears interest at 1.5 percentage points over the bank's prime, with an interest rate floor of 5.5 percent for the terms ended June 30, 2017 and 2016. The interest rate on the line of credit was 5.75 percent and 5.50 percent as of June 30, 2017 and 2016, respectively. The balance on the line of credit at June 30, 2017 and 2016, was $300,000 and $-0-, respectively. Interest expense paid on the line of credit for the years ended June 30, 2017 and 2016, was $9,512 and $-0-, respectively. The line of credit was modified in October 2017 at which time the maximum available amount of the line of credit was increased to $750,000. The line of credit was last renewed December 2017 and the new maturity date is February 1, 2018.

6. Description of Leasing Arrangements

ShelterCare has three leases, as lessee, with indefinite lease terms that can be cancelled at any time by either party. Additionally, ShelterCare has several month-to-month leases for facilities and programs. ShelterCare also receives donated use of facilities for its Supported Housing programs with a value of $121,000. Total rent expense for the years ended June 30, 2017 and 2016, was $157,739 and $177,895, respectively, which includes $121,000 for in-kind use of facilities.

7. Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets were available for the following purposes:

	2017	2016
CDBG grant restricted to the Shankle Program kitchen remodel	$ 7,000	$ 10,500
CDBG grant restricted to improvements at ShelterCare Medical Recuperation (formerly Royal Avenue Shelter)	49,882	74,822
HOME grant restricted to Garden kitchen remodel	79,800	106,400
Contributions restricted for 499 building remodel	23,375	44,935
Support restricted to specific programs or activities	314,422	11,271
Total temporarily restricted net assets	$ 474,479	$ 247,928

8. Program Service Revenue

For the years ended June 30, program service revenue consisted of the following:

	2017	2016
Service to governments:		
Medicaid – Title XIX	$ 1,584,282	$ 1,708,587
Fees and contracts from government agencies	1,097,729	1,234,301
Acquired brain injury	328,598	358,168
Other services:		
Homeless medical respite	362,760	304,611
Rent, program, and other fees	296,069	315,469
Total program service revenue	$ 3,669,438	$ 3,921,136

9. Donated Goods, Services, and Use of Facilities

During the year, certain goods, professional services, and use of facilities were donated to ShelterCare. Such donations are recorded at the estimated fair market value at the date of donation. These goods, services, and usage have been reflected in the consolidated financial statements as in-kind contributions and program or support services expenses. Professional services consisted primarily of donated legal services and donated services related to building improvements.

9. Donated Goods, Services, and Use of Facilities, continued

At June 30, in-kind contributions consisted of the following:

	2017	2016
In-kind contributions of goods	$ 22,758	$ 25,904
Professional services	3,505	4,860
Use of facilities	121,000	121,000
Total in-kind contributions	$ 147,263	$ 151,764

ShelterCare also receives a substantial amount of services donated by volunteers. No amounts have been reflected in the consolidated financial statements for these services since they do not meet the criteria for recognition under FASB Accounting Standards Codification (ASC) Topic 958-605-25-16, *Contributed Services.* The estimated value of these services was $33,024 and $35,945 for the years ended June 30, 2017 and 2016, respectively.

10. Related Party Transactions

ShelterCare provides management and administrative services to DH, Incorporated and Afiya Apartments, Inc., affiliated nonprofit organizations. The organizations are affiliated due to shared members of their respective governing boards.

For the years ended June 30, the amounts of revenue for such services are summarized as follows:

	2017	2016
DH, Incorporated:		
Management fees	$ 11,184	$ 10,888
Administrative fees	24,855	24,862
Maintenance fees	10,174	10,160
Total DH, Incorporated	46,213	45,910
Afiya Apartments, Inc.:		
Management fees	10,180	8,791
Administrative fees	11,667	17,090
Maintenance fees	17,073	11,764
Total Afiya Apartments, Inc.	38,920	37,645
Total related party service revenue	$ 85,133	$ 83,555

ShelterCare also paid DH, Incorporated rent of $16,553 and $16,968 for the years ended June 30, 2017 and 2016, respectively. The amount receivable from DH, Incorporated at June 30, 2017 and 2016, was $9,868 and $3,465 respectively. The amount receivable from Afiya Apartments, Inc. at June 30, 2017 and 2016, was $24,293 and $9,676, respectively.

11. Concentrations

Credit risk – ShelterCare and ShelterCare 499 Project maintain bank accounts at two financial institutions. The accounts are insured up to certain limits by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA). Deposits in excess of FDIC insurance limits were $-0- and $8,553 at June 30, 2017 and 2016, respectively. Management believes ShelterCare is not exposed to any significant credit risk related to cash and cash equivalents.

Governmental revenue and support – A substantial portion of revenue and support is provided by federal, state, and local governmental entities. Changes in governmental priorities for funding social services needs could affect future ShelterCare funding.

Receivables – Approximately 73 percent of ShelterCare's grant and contract receivables were due from two agencies as of June 30, 2017. Approximately 59 percent of ShelterCare's grant and contract receivables were due from a single government agency as of June 30, 2016. At June 30, 2017 and 2016, the balance of program service receivables was comprised almost entirely of receivables from two agencies.

12. Retirement Plan

ShelterCare adopted a Simplified Employee Pension/IRA plan on April 1, 1999, which covers all employees who have been employed by ShelterCare a minimum of two years and were employed at least three of the preceding five years. Contributions to the plan were $39,431 and $37,761 for the years ended June 30, 2017 and 2016, respectively, of which $2,567 and $2,458, respectively, is included in repairs and maintenance on the consolidated statements of functional expenses. As of June 30, 2017 and 2016, $10,135 and $8,459, respectively, was payable. Contributions to the retirement plan are discretionary, and the amount of future contributions will be determined annually by the Board of Directors.

13. Healthcare Reimbursement Arrangement

Effective December 1, 2007, ShelterCare established a health reimbursement arrangement plan (HRA) to provide eligible employees with certain tax-free medical reimbursement benefits. The employer-funded HRA is funded through the operational budget of ShelterCare and therefore may be fully funded, unfunded, modified, or terminated on an annual basis as determined by ShelterCare. Eligible employees have an account balance which is funded by employer contributions. The account balance decreases for benefit payments and administrative fees. Forfeited account balances can be used to provide HRA benefits to eligible new participants. During the years ended June 30, 2017 and 2016, ShelterCare did not make a contribution to the HRA.

14. Contingent Liabilities

ShelterCare is contingently liable for a Community Development Block Grant (CDBG) received in the amount of $35,000 from the city of Springfield during the fiscal year ended June 30, 2009 that was used to assist with the renovation of the Shankle Program kitchen in Glenwood. The project was completed during the fiscal year ended June 30, 2009. If ShelterCare discontinues using the kitchen for its programs prior to 10 years from the date of completion of the kitchen remodel, ShelterCare agrees to pay the city of Springfield the percentage of the grant funds equal to the percentage of time remaining until the expiration of the 10-year period. At June 30, 2017 and 2016, $7,000 and $10,500, respectively, in improvements funded by CDBG from the city of Springfield have been included in temporarily restricted net assets.

The city of Eugene has stipulated that programs using CDBG and HOME funding for improvements of real property shall use the real property primarily for the project objective for a period of 10 years after the date of project completion. If the real property is used for another objective prior to the fifth anniversary of the project completion date, ShelterCare is required to pay the city of Eugene an amount equal to the current fair market value of the improvements to the real property. After the fifth anniversary of the project completion date, ShelterCare would be required to pay the city of Eugene an amount equal to one fifth of the amount of the grant for every calendar year remaining in the period of benefit. As of June 30, 2017 and 2016, $49,882 and $74,822, respectively, in improvements at ShelterCare Medical Recuperation funded by CDBG and HOME have been included as temporarily restricted net assets. As of June 30, 2017 and 2016, $79,800 and $106,400, respectively, in improvements at Garden Place kitchen remodel funded by CDBG and HOME have been included as temporarily restricted net assets.

ShelterCare is the guarantor for an interest-free loan of $75,000 for 30 years provided by the state of Oregon on December 18, 2008, used to develop Main Street HUD 811 Project - Afiya Apartments. As the guarantor, ShelterCare is contingently liable for the loan. ShelterCare is not required to repay the indebtedness unless the Afiya Apartments are sold or there is a change in use. Because the likelihood of a near-term repayment is remote, the amount has not been recognized as a liability in ShelterCare's consolidated financial statements.

15. Subsequent Events

Management evaluates events and transactions that occur after the consolidated statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

SINGLE AUDIT INFORMATION

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed-through Lane County, Oregon:			
Continuum of Care Program:	14.267		
Shankle Program		51323	$ 516,988
McKenzie Rapid Rehousing		51327	217,879
Rapid Rehousing Cascades		51025	96,322
Camas Permanent Housing		51722	106,659
Camas II Permanent Housing		52384	45,397
Total passed-through Lane County, Oregon			983,245
Passed-through Catholic Community Services of Lane County:			
Emergency Solutions Grant Program	14.231		92,270
Total U.S. Department of Housing and Urban Development			1,075,515
U.S. Department of Homeland Security			
Direct Award - Emergency Food and Shelter National Board Program	97.024	15042	5,000
Total federal award expenditures			$ 1,080,515

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of ShelterCare under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. The Schedule is not intended to and does not present the financial position, changes in net assets, or cash flows of ShelterCare.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ShelterCare has elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ShelterCare does not have any subrecipients.

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
ShelterCare and Subsidiary
Eugene, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ShelterCare and subsidiary'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 ShelterCare and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of ShelterCare and subsidiary'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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ShelterCare and subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

ShelterCare's Response to Findings

ShelterCare and subsidiary's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ShelterCare and subsidiary's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 ShelterCare and subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2018

Jones & Roth
CPAs & Business Advisors

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

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited ShelterCare and subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ShelterCare and subsidiary's major federal programs for the year ended June 30, 2017. ShelterCare and subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ShelterCare and subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ShelterCare and subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ShelterCare and subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, ShelterCare and subsidiary complied, in all material respects, with the types of 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, 2017.

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HILLSBORO 5635 NE Elam Young Pkwy., Suite 100, Hillsboro, OR 97124, phone (503) 648-0521, fax (503) 648-2692

Report on Internal Control Over Compliance

Management of ShelterCare and subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ShelterCare and subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ShelterCare and subsidiary's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 23, 2018

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONNED COSTS
For the Year Ended June 30, 2017

Summary of Auditor's Results

- The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of ShelterCare for the year ended June 30, 2017.
- One significant deficiency was disclosed during the audit of the consolidated financial statements of ShelterCare for the year ended June 30, 2017. No material weaknesses were reported.
- No instances of noncompliance material to the consolidated financial statements of ShelterCare, which would be required to be reported in accordance with *Government Auditing* Standards, were disclosed during the audit.
- No significant deficiencies and no material weaknesses were disclosed during the audit of the major federal award programs.
- The independent auditor's report on compliance for the major federal award programs for ShelterCare expresses an unmodified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Uniform Guidance are reported in this schedule.
- The program tested as a major program was:

U.S. Department of Housing and Urban Development	
Continuum of Care Program	14.267

- The threshold for distinguishing between Type A and B programs was $750,000.
- ShelterCare qualified as a low-risk auditee.

Findings – Consolidated Financial Statements Audit

Finding 2017-001

Type of Finding: Significant deficiency in internal controls over financial reporting

Criteria: Under professional standards, it is the responsibility of ShelterCare and subsidiary's management to design and implement internal controls over financial reporting to ensure that ShelterCare and subsidiary's accounts are properly recorded in accordance with GAAP. Significant adjustments that arise as a result of audit procedures that were otherwise not detected by ShelterCare and subsidiary's management are required to be reported as a deficiency in internal control over financial reporting.

Findings – Consolidated Financial Statements Audit, continued

Condition: While performing audit procedures, we identified several accounts that required adjustment. Due to the number of audit adjustments required and the magnitude of some of the adjustments, we are considering this deficiency to be a significant deficiency in internal control over financial reporting. The misstatements that were discovered as a result of audit procedures that were corrected would have had a significant impact on the consolidated financial statements if left unadjusted.

Assets	Understated by $170,354
Liabilities	Understated by $3,000
Net Assets	Understated by $167,354
Revenues	Understated by $335,808
Expenses	Understated by $10,879

Cause of Condition: There were not adequate internal controls over the financial reporting process in place to ensure all significant transactions were recorded properly in accordance with U.S. GAAP.

Effect of Condition: Failing to review and/or fully reconcile all of the significant accounts of ShelterCare could cause the consolidated financial statements to be materially misstated.

Recommendation: We recommend that management continue its efforts in reviewing the design and implementation of internal controls over the financial reporting process in order to identify and remedy control deficiencies. We recommend updating the process used to reconcile significant accounts at year-end and add additional layers of review by persons other than those preparing such reconciliations and schedules.

View of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Prior Year Findings – Consolidated Financial Statements Audit

None.

Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit

None.

ShelterCare
Hope is here.

Federal Award Finding 2017-001

Corrective Action Plan:

ShelterCare has hired a new Controller and new Accounting Manager. ShelterCare's new Controller has developed a new month-end checklist which includes review of all journal entries by either the Controller and/or Accounting Manager before they are posted to the General Ledger. ShelterCare Controller has also developed a new month-end balance sheet account reconciliation process. ShelterCare Controller and/or Accounting Manager will be reviewing all significant balance sheet accounts on a monthly basis. Both new processes will ensure tighter accounting controls, accurate information to the general ledger, and more detailed review of balance sheet accounts.

The name of the contact person responsible for the corrective action:

Kathleen Broadhurst, Controller

Anticipated completion date:

The month-end checklist was implemented in October of 2017. The new balance sheet reconciliation process will begin with month-end January 2018. We will start with the opening balances for the fiscal year; reconcile the major accounts to current time. We'll then will go back to find support for the opening balances to ensure all accounts balances are accurate and supported with backup.

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