



SHELTERCARE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT INFORMATION
For the Years Ended June 30, 2016 and 2015



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INTRODUCTORY SECTION

SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2016

OFFICERS

President	Rebekah Lambert
Vice President	Tracy Ellis
Secretary	Eric Van Houten
Past President	Wendy Dame

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Dr. David DeHaas
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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 (a nonprofit organization) and subsidiary which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows 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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HILLSBORO 5635 NE Elam Young Pkwy.
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Hillsboro, OR 97124
phone (503) 648-0521
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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, 2016 and 2015, 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 December 12, 2016 on our consideration of ShelterCare'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's internal control over financial reporting and compliance.



Jones & Roth, P.C.
Eugene, Oregon
December 12, 2016

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 268,788	\$ 555,599
Receivables:		
Grant and contracts receivable, net of allowance of \$-0- for 2016 and 2015	283,766	393,868
Program services receivable, net of allowance of \$25,972 for 2016 and \$37,915 for 2015	241,059	151,661
Capital Campaign pledges receivable, current portion	24,036	32,510
Prepaid expenses and deposits	<u>207,302</u>	<u>171,368</u>
 Total current assets	 <u>1,024,951</u>	 <u>1,305,006</u>
 Property and equipment, net	 <u>4,683,006</u>	 <u>4,884,512</u>
Other assets		
Loan fees, net	187,780	195,939
Capital Campaign pledges receivable, net of current portion and net of allowance of \$2,247 for 2016 and \$3,898 for 2015	18,652	41,557
Interest in net assets of ShelterCare Foundation	<u>3,835,124</u>	<u>3,883,965</u>
 Total other assets	 <u>4,041,556</u>	 <u>4,121,461</u>
 Total assets	 <u><u>\$ 9,749,513</u></u>	 <u><u>\$ 10,310,979</u></u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 43,973	\$ 58,263
Payroll and related accruals	182,130	180,055
Accrued vacation	125,839	122,877
Client deposits payable	1,375	1,385
Accrued interest payable	23,549	23,101
Current portion of long-term debt	<u>40,993</u>	<u>38,686</u>
Total current liabilities	417,859	424,367
Long-term liabilities		
Long-term debt, net of current portion	<u>5,243,107</u>	<u>5,284,166</u>
Total liabilities	<u>5,660,966</u>	<u>5,708,533</u>
Net assets		
Unrestricted:		
Undesignated	5,495	263,755
Board designated endowment	<u>3,835,124</u>	<u>3,883,965</u>
Total unrestricted	3,840,619	4,147,720
Temporarily restricted	<u>247,928</u>	<u>454,726</u>
Total net assets	<u>4,088,547</u>	<u>4,602,446</u>
Total liabilities and net assets	<u>\$ 9,749,513</u>	<u>\$ 10,310,979</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>206,798</u>	<u>(206,798)</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,005,559</u>	<u>(206,798)</u>	<u>6,798,761</u>
Expenses			
Program services:			
Homeless services:			
Emergency shelter, HPP, 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	<u>421,081</u>	<u>-</u>	<u>421,081</u>
Total program services	<u>5,769,785</u>	<u>-</u>	<u>5,769,785</u>
Supporting services:			
General and administrative	1,186,665	-	1,186,665
Fundraising	<u>179,565</u>	<u>-</u>	<u>179,565</u>
Total supporting services	<u>1,366,230</u>	<u>-</u>	<u>1,366,230</u>
ShelterCare 499 Project	<u>176,645</u>	<u>-</u>	<u>176,645</u>
Total expenses	<u>7,312,660</u>	<u>-</u>	<u>7,312,660</u>
Change in net assets	(307,101)	(206,798)	(513,899)
Net assets, beginning of year	<u>4,147,720</u>	<u>454,726</u>	<u>4,602,446</u>
Net assets, end of year	<u>\$ 3,840,619</u>	<u>\$ 247,928</u>	<u>\$ 4,088,547</u>

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Federal assistance	\$ 870,965	\$ -	\$ 870,965
State and local assistance	1,067,512	-	1,067,512
United Way	99,056	-	99,056
Grants and contributions	397,197	130,000	527,197
In-kind contributions	228,316	-	228,316
Program service revenue	5,221,124	-	5,221,124
Change in interest in net assets of ShelterCare Foundation	24,653	-	24,653
Interest income	1,697	-	1,697
Other income	181,273	-	181,273
Net assets released from restrictions	152,612	(152,612)	-
Total revenues, gains, and other support	8,244,405	(22,612)	8,221,793
Expenses			
Program services:			
Homeless services:			
Emergency shelter, HPP, transitional services	1,503,656	-	1,503,656
Mental health services:			
Homeless and transitional services	433,523	-	433,523
Crisis respite and intensive residential care	2,438,551	-	2,438,551
Longer-term residential services	191,356	-	191,356
Supportive housing	1,438,799	-	1,438,799
Acquired brain injury services	363,387	-	363,387
Total program services	6,369,272	-	6,369,272
Supporting services:			
General and administrative	1,315,956	-	1,315,956
Fundraising	233,804	-	233,804
Total supporting services	1,549,760	-	1,549,760
ShelterCare 499 Project	159,015	-	159,015
Total expenses	8,078,047	-	8,078,047
Change in net assets	166,358	(22,612)	143,746
Net assets, beginning of year	3,981,362	477,338	4,458,700
Net assets, end of year	\$ 4,147,720	\$ 454,726	\$ 4,602,446

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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (513,899)	\$ 143,746
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	265,548	273,468
(Gain) loss on disposal of fixed assets	(1,069)	5,052
Noncash change in interest in ShelterCare Foundation	(2,359)	(24,653)
Capital Campaign contributions	(32,350)	(104,444)
(Increase) decrease in:		
Grants and contracts receivable	110,102	(231,154)
Program services receivable	(89,398)	346,668
Capital Campaign pledges receivable	31,379	22,962
Prepaid expenses and deposits	(35,934)	983
Increase (decrease) in:		
Accounts payable	(14,290)	(45,606)
Payroll and related accruals	2,075	(49,174)
Accrued vacation	2,962	(26,807)
Client deposits payable	(10)	(750)
Accrued interest payable	448	(2,189)
	<u>(276,795)</u>	<u>308,102</u>
Cash flows from investing activities		
Purchase of property and equipment	(55,883)	(1,101,955)
Proceeds from the sale of property and equipment	1,069	-
Proceeds from interest in ShelterCare Foundation	51,200	-
	<u>(3,614)</u>	<u>(1,101,955)</u>
Cash flows from financing activities		
Proceeds from Capital Campaign contributions	32,350	104,444
Principal payments on long-term debt	(38,752)	(537,089)
	<u>(6,402)</u>	<u>(432,645)</u>

	<u>2016</u>	<u>2015</u>
Net decrease in cash and cash equivalents	(286,811)	(1,226,498)
Cash and cash equivalents, beginning of year	<u>555,599</u>	<u>1,782,097</u>
Cash and cash equivalents, end of year	<u>\$ 268,788</u>	<u>\$ 555,599</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 123,341</u>	<u>\$ 135,747</u>
Supplemental disclosure of noncash investing and financing activities		
Total increase in property and equipment	\$ 55,883	\$ 508,164
Change in accounts payable - construction	<u>-</u>	<u>593,791</u>
Cash paid for property and equipment	<u>\$ 55,883</u>	<u>\$ 1,101,955</u>
Total increase (decrease) in interest in ShelterCare Foundation	\$ (48,841)	\$ 24,653
Less noncash change in interest in ShelterCare Foundation	<u>(2,359)</u>	<u>(24,653)</u>
Cash proceeds from interest in ShelterCare Foundation	<u>\$ (51,200)</u>	<u>\$ -</u>

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

Support Services		Total Program	ShelterCare	Total
General and	Fundraising	and Support	499 Project	Expenses
Administrative		Services		
\$ 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
12,239	1,932	75,008	46,203	121,211
-	-	1,321	-	1,321
2,769	17	4,767	-	4,767
46,327	-	46,327	-	46,327
-	-	-	-	-
1,124,560	179,565	6,996,115	53,743	7,049,858
62,105	-	139,900	122,902	262,802
<u>\$ 1,186,665</u>	<u>\$ 179,565</u>	<u>\$ 7,136,015</u>	<u>\$ 176,645</u>	<u>\$ 7,312,660</u>

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, 2015

	Program Services								
	Homeless Services			Mental Health Services					
	Emergency Shelter, HPP, Transitional Services			Homeless and Transitional Services		Crisis Respite and Intensive Residential Care			
	Family Housing Program	Brethren Housing	McKenzie Rapid Rehousing	The Inside Program	The Shankle Program	ShelterCare Medical Recuperation	Garden Place	The Heeran Center Residence	
Salaries and wages	\$ 281,955	\$ 53,858	\$ 176,895	\$ 34,690	\$ 120,277	\$ 120,805	\$ 673,230	\$ 562,772	
Payroll taxes	20,684	4,056	12,793	2,750	9,144	10,316	49,623	42,454	
Health benefits	30,059	6,181	27,101	4,652	11,988	13,404	58,935	45,967	
Retirement plan expense	2,867	576	2,640	473	3,451	3,732	4,962	9,289	
Other fringe benefits	9,692	1,975	5,693	1,136	4,756	4,058	23,823	21,008	
Training	1,482	1,915	371	204	50	105	1,432	219	
Travel	9,125	160	8,554	825	351	638	1,880	1,204	
Client assistance	183,265	161	425,238	30,093	46,095	5,281	42,259	30,421	
Rent	11,600	3,200	-	3,980	121,000	-	-	75,095	
Utilities	43,251	3,548	2,668	1,336	3,237	5,430	13,013	40,005	
Telephone and cellular services	8,031	2,136	1,951	2,239	1,580	1,595	5,063	3,692	
Fundraising events	-	-	-	-	-	-	-	-	
Insurance	13,236	2,159	1,621	3,165	1,759	4,572	11,628	12,028	
Medical and professional services	11,050	692	2,469	805	2,453	3,985	49,662	192,615	
Repairs and maintenance	62,617	6,354	1,892	3,641	7,656	32,895	27,998	29,242	
Supplies	23,326	1,383	3,341	1,297	5,365	3,852	36,006	44,846	
Uniforms and laundry	1,230	360	-	-	-	538	1,002	207	
Miscellaneous	1,151	217	-	-	17	20	2,514	797	
Interest	501	-	334	-	-	-	47,432	-	
Volunteer program expense	237	77	-	39	111	34	165	241	
Recruiting	624	3	63	3	95	289	571	3,226	
Bad debt expense	-	-	-	-	-	-	-	-	
Loss on disposal	-	-	-	-	-	-	-	-	
Program allocation	1,904	(1,801)	718	335	627	368	7,075	6,548	
Education materials allocation	4,660	821	3,329	821	1,027	569	3,329	4,042	
Total functional expenses before depreciation	722,547	88,031	677,671	92,484	341,039	212,486	1,061,602	1,125,918	
Depreciation	15,407	-	-	-	-	-	38,545	-	
Total functional expenses	\$ 737,954	\$ 88,031	\$ 677,671	\$ 92,484	\$ 341,039	\$ 212,486	\$ 1,100,147	\$ 1,125,918	

Longer-term Residential Services		Acquired Brain Injury Services			Support Services		Total Program and Support Services	ShelterCare 499 Project	Total Expenses
Eugene Supported Housing	ShelterCare Supported Housing	Uhlhorn Program	Total Program Services	General and Administrative	Fundraising				
\$ 146,153	\$ 774,775	\$ 234,208	\$ 3,179,618	\$ 766,018	\$ 102,398	\$ 4,048,034	\$ -	\$ 4,048,034	
10,575	56,598	16,833	235,826	53,613	7,544	296,983	-	296,983	
-	67,296	29,500	295,083	52,533	14,359	361,975	-	361,975	
3,074	5,124	2,486	38,674	8,251	1,124	48,049	-	48,049	
5,008	22,233	6,949	106,331	26,433	2,714	135,478	-	135,478	
348	4,052	763	10,941	24,481	713	36,135	-	36,135	
469	12,621	3,009	38,836	17,139	5,482	61,457	-	61,457	
1,194	210,839	4,792	979,638	-	-	979,638	-	979,638	
3,940	15,029	16,968	250,812	-	-	250,812	-	250,812	
78	15,015	436	128,017	10,952	984	139,953	-	139,953	
1,840	12,247	6,606	46,980	5,694	2,000	54,674	-	54,674	
-	-	-	-	-	14,468	14,468	-	14,468	
3,165	15,153	5,561	74,047	7,665	-	81,712	-	81,712	
3,498	12,031	3,051	282,311	191,555	13,143	487,009	8,715	495,724	
3,814	62,555	8,797	247,461	15,218	-	262,679	-	262,679	
5,941	69,766	9,663	204,786	87,183	25,988	317,957	27	317,984	
-	825	-	4,162	-	-	4,162	-	4,162	
92	220	130	5,158	9,575	49,588	64,321	109	64,430	
-	3,050	132	51,449	31,826	4,080	87,355	46,203	133,558	
61	470	206	1,641	-	-	1,641	-	1,641	
78	179	82	5,213	2,851	50	8,114	-	8,114	
-	-	-	-	7,366	-	7,366	-	7,366	
-	-	-	-	5,052	-	5,052	-	5,052	
955	5,332	945	23,006	(23,006)	-	-	-	-	
1,073	9,670	2,330	31,671	(19,440)	(12,231)	-	-	-	
191,356	1,375,080	353,447	6,241,661	1,280,959	232,404	7,755,024	55,054	7,810,078	
-	63,719	9,940	127,611	34,997	1,400	164,008	103,961	267,969	
<u>\$ 191,356</u>	<u>\$ 1,438,799</u>	<u>\$ 363,387</u>	<u>\$ 6,369,272</u>	<u>\$ 1,315,956</u>	<u>\$ 233,804</u>	<u>\$ 7,919,032</u>	<u>\$ 159,015</u>	<u>\$ 8,078,047</u>	

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

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL 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. In November 2014, Brethren Housing services merged with ShelterCare Supported Housing.

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, 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. In November 2014, Eugene Supported Housing Program merged with The Inside Program, Brethren Housing, and Shankle Program, and began providing long-term supported housing under the program ShelterCare Supported Housing. Heeran Center Residence was closed in March 2015. The last day for services at this facility was March 3, 2015.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ShelterCare and ShelterCare 499 Project. Inter-company transactions and balances have been eliminated in consolidation.

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, 2016 and 2015 for either entity; therefore, no provision for taxes has been made.

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:

	<u>2016</u>	<u>2015</u>
Savings and checking accounts	\$ 153,084	\$ 321,388
Money market funds	115,239	233,646
Petty cash	<u>465</u>	<u>565</u>
Total cash and cash equivalents	<u>\$ 268,788</u>	<u>\$ 555,599</u>

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.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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.

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.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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, 2016 and 2015, the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was \$3,835,124 and \$3,883,965, 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.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Land	\$ 869,048	\$ 869,048
Building	4,595,408	4,595,408
Leasehold improvements	403,051	399,477
Equipment and furnishings	258,901	233,190
Other property	<u>384,329</u>	<u>367,957</u>
	6,510,737	6,465,080
Accumulated depreciation and amortization	<u>(1,827,731)</u>	<u>(1,580,568)</u>
Property and equipment, net	<u>\$ 4,683,006</u>	<u>\$ 4,884,512</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$257,389 and \$264,394 of which \$2,746 and \$5,499, respectively, is included in repairs and maintenance on the consolidated statements of functional expenses.

3. Loan Fees

Loan fees are recorded at cost and are amortized over the life of the related loans, 30 years. Amortization expense for the years ended June 30, 2016 and 2015 was \$8,159 and \$9,074, respectively. Accumulated amortization of loan fees was \$27,268 and \$19,109 as of June 30, 2016 and 2015, respectively.

4. Interest in Net Assets of ShelterCare Foundation

During 2006, ShelterCare terminated its endowment fund with Oregon Community Foundation (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 a Level 3 investment. The interest in the net assets of ShelterCare Foundation is considered a board designated endowment.

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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Interest in Net Assets of ShelterCare Foundation, continued

During the year ended June 30, 2014, ShelterCare increased its interest in the assets of ShelterCare Foundation by contributing \$3,120,000 to ShelterCare Foundation. ShelterCare specified itself as beneficiary of the contribution. The contribution was made in order to facilitate the financing for the development and renovation of the administration and program services building.

For the years ended June 30, 2016 and 2015, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 3,883,965	\$ 3,859,312
Change in fair market value	(29,672)	(4,407)
Interest and dividend reinvested	9,184	6,685
Interest income from notes receivable	31,200	31,200
Distributions to ShelterCare	(51,200)	-
Expenses	<u>(8,353)</u>	<u>(8,825)</u>
Balance, end of year	<u>\$ 3,835,124</u>	<u>\$ 3,883,965</u>

5. Long-term Debt

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

	<u>2016</u>	<u>2015</u>
Note payable to Pacific Continental 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.	\$ 1,444,100	\$ 1,482,852
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.	<u>3,840,000</u>	<u>3,840,000</u>
	5,284,100	5,322,852
Current portion	<u>(40,993)</u>	<u>(38,686)</u>
Long-term debt, net of current portion	<u>\$ 5,243,107</u>	<u>\$ 5,284,166</u>

Total interest expense incurred on these notes for the years ended June 30, 2016 and 2015 was \$123,788 and \$131,054, respectively, of which \$2,577 and \$0-, respectively, was allocated and included in repairs and maintenance.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Long-term Debt, continued

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

<u>Year Ending June 30,</u>		
2017	\$	40,993
2018		43,212
2019		45,550
2020		47,827
2021		50,604
Thereafter		<u>5,055,914</u>
Total	\$	<u>5,284,100</u>

6. Line of Credit

ShelterCare executed a \$500,000 line of credit with Pacific Continental Bank in September 2008. The line of credit was last renewed in February 1, 2016 and the new maturity date is December 1, 2016. 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, 2016 and 2015. The interest rate on the line of credit was 5.5 percent as of June 30, 2016 and 2015. The balance on the line of credit at June 30, 2016 and 2015 was \$-0-. Interest expense paid on the line of credit for the years ended June 30, 2016 and 2015, was \$-0- and \$2,504, respectively.

7. Description of Leasing Arrangements

ShelterCare has five month-to-month operating leases for facilities. Rent expense under these leases for the years ended June 30, 2016 and 2015, was \$39,540 and \$39,540, respectively.

8. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
CDBG grant restricted to the Shankle Program kitchen remodel	\$ 10,500	\$ 14,000
CDBG grant restricted to improvements at ShelterCare Medical Recuperation (formerly Royal Avenue Shelter)	74,822	99,761
HOME grant restricted to Garden kitchen remodel	106,400	133,000
Contributions restricted for 499 building remodel	44,935	77,965
Other support restricted to specific programs or activities	<u>11,271</u>	<u>130,000</u>
Total temporarily restricted net assets	<u>\$ 247,928</u>	<u>\$ 454,726</u>

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Program Service Revenue

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

	<u>2016</u>	<u>2015</u>
Service to governments:		
Medicaid – Title XIX	\$ 1,708,587	\$ 1,620,344
Adult Mental Health Initiative (AMHI)	-	1,352,718
Fees and contracts from government agencies	1,234,301	1,290,443
Acquired brain injury	358,168	407,953
Other services:		
Homeless medical respite	304,611	231,003
Rent	136,584	159,402
Program fees	159,206	139,934
Other fees	<u>19,679</u>	<u>19,327</u>
 Total program service revenue	 <u>\$ 3,921,136</u>	 <u>\$ 5,221,124</u>

10. 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 supporting services expenses. Professional services consisted primarily of donated legal services and donated services related to building improvements.

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

	<u>2016</u>	<u>2015</u>
In-kind contributions of goods	\$ 25,904	\$ 60,739
Professional services	4,860	46,577
Use of facilities	<u>121,000</u>	<u>121,000</u>
 Total in-kind contributions	 <u>\$ 151,764</u>	 <u>\$ 228,316</u>

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605-25-16, *Contributed Services*. The estimated value of these services was \$35,945 and \$57,350 for June 30, 2016 and 2015, respectively.

11. 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.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Related Party Transactions, continued

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

	<u>2016</u>	<u>2015</u>
DH, Incorporated:		
Management fees	\$ 10,888	\$ 10,706
Administrative fees	24,862	25,742
Maintenance fees	<u>10,160</u>	<u>14,032</u>
Total DH, Incorporated	<u>45,910</u>	<u>50,480</u>
Afiya Apartments, Inc.:		
Management fees	8,791	8,261
Administrative fees	17,090	22,581
Maintenance fees	<u>11,764</u>	<u>9,071</u>
Total Afiya Apartments, Inc.	<u>37,645</u>	<u>39,913</u>
Total related party service revenue	<u>\$ 83,555</u>	<u>\$ 90,393</u>

ShelterCare also paid DH, Incorporated rent of \$16,968 and \$16,960 for the years ended June 30, 2016 and 2015, respectively. The amount receivable from DH, Incorporated at June 30, 2016 and 2015, was \$3,465 and \$6,162 respectively. The amount receivable from Afiya Apartments, Inc. at June 30, 2016 and 2015 was \$9,676 and \$8,397, respectively.

12. 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 \$8,553 and \$340,132 at June 30, 2016 and 2015, 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 – A substantial portion of ShelterCare’s grants and contracts receivable balance is comprised of receivables from one local government agency. As of June 30, 2016 and 2015, receivables from this single government agency comprised 58.8 percent and 69.6 percent, respectively, of the total grants and contracts receivable balance. As of June 30, 2016 and 2015, the balance of program service receivables is entirely comprised of receivables from two agencies.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. 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 \$37,761 and \$48,006 for the years ended June 30, 2016 and 2015, respectively, of which \$2,458 and \$957, respectively, is included in repairs and maintenance on the consolidated statements of functional expenses. As of June 30, 2016 and 2015, \$8,459 and \$9,300, 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.

14. 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, 2016 and 2015, ShelterCare did not make a contribution to the HRA.

15. 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 in FY 08/09 that was used to assist with the renovation of the Shankle Program kitchen in Glenwood. The project was completed in FY 08/09. If ShelterCare discontinues using and/or maintaining the program in the Shankle Program 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, 2016 and 2015, \$10,500 and \$14,000, 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, 2016 and 2015, \$74,822 and \$99,761, respectively, in improvements at ShelterCare Medical Recuperation funded by CDBG and HOME have been included as temporarily restricted net assets. As of June 30, 2016 and 2015, \$106,400 and \$133,000, respectively, in improvements at Garden Place Kitchen remodel funded by CDBG and HOME have been included as temporarily restricted net assets.

SHELTERCARE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent Liabilities, continued

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.

16. 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, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed-through Lane County, Oregon:			
Continuum of Care Program:	14.267*		
Shankle Program		51323	\$ 550,415
McKenzie Rapid Rehousing		51327	204,448
Rapid Rehousing Cascades		51025	85,220
Camas Permanent Housing		51722	100,754
Camas II Permanent Housing		52384	<u>35,525</u>
Total U.S. Department of Housing and Urban Development			976,362
U.S. Department of Homeland Security			
Direct Award - Emergency Food and Shelter			
National Board Program	97.024	15042	<u>4,000</u>
Total federal award expenditures			<u>\$ 980,362</u>

* Denotes major program

SHELTERCARE AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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, 2016. 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 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
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, 2016, and the related consolidated statements of activities, 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 December 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ShelterCare'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's internal control. Accordingly, we do not express an opinion on the effectiveness of ShelterCare's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ShelterCare'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*.

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

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.
Eugene, Oregon
December 12, 2016

**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
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited ShelterCare'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's major federal programs for the year ended June 30, 2016. ShelterCare'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'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, ShelterCare 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, 2016.

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Report on Internal Control Over Compliance

Management of ShelterCare 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'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'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.
Eugene, Oregon
December 12, 2016

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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, 2016.
- No significant deficiencies and no material weaknesses in internal control were disclosed by the audit of the financial statements.
- 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.
- There are no audit findings or questioned costs that are required to be reported in this schedule in accordance with the Uniform Guidance.
- The program tested as a major programs 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 did not qualify as a low-risk auditee.

Findings – Consolidated Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

SHELTERCARE AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

Prior Year Findings – Consolidated Financial Statements Audit

Finding 2015-001

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

Condition: While performing audit procedures, we identified several accounts that required adjustment. Due to the number of audit adjustments required, 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.

Current Status: Corrected.

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

Finding 2015-002

Type of Finding: Significant deficiency in internal controls over compliance

Federal Program: HUD Continuum of Care Program (CFDA 14.267)

Questioned Costs: None.

Condition: During our testing of the internal controls over compliance with respect to the compliance requirement of allowable costs and allowable activities we noted several instances of missing employee approvals of timesheets and missing supervisor approvals of timesheets. The employee and supervisor approval of timesheets is considered a key internal control for the payroll cycle and for the compliance requirements of allowable costs and allowable activities.

Current Status: Corrected.