ShelterCare

Hope is here.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2015 and 2014

Jones & Roth

CPAs & Business Advisors

SHELTERCARE
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2015 and 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

SHELTERCARE
BOARD OF DIRECTORS
June 30, 2015

OFFICERS

President	Wendy Dame
Vice President	Rebekah Lambert
Secretary	Marcia Edwards

MEMBERS

Dr. David DeHass
Tracy Ellis
Melinda Grier
Priscilla Gould
Lissy Lantz
Judy Newman
Christopher Page
Sandra Scheetz
Brad Smith
Geni Sustello
Eric Van Houten

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ShelterCare
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, 2015 and 2014, 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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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, 2015 and 2014, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 4, 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.

Jones & Roth, P.C.
Eugene, Oregon
January 4, 2016

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 555,599	$ 1,782,097
Receivables:		
Grant and contracts receivable, net of allowance of $-0- for 2015 and $2,375 for 2014	393,868	162,714
Program service receivable, net of allowance of $37,915 for 2015 and $12,371 for 2014	151,661	498,329
Capital Campaign pledges receivable, current portion	32,510	36,205
Prepaid expenses and deposits	171,368	172,351
Total current assets	1,305,006	2,651,696
Property and equipment, net	4,884,512	4,645,794
Other assets		
Loan fees, net	195,939	205,013
Capital Campaign pledges receivable, net of current portion and net of allowance of $3,898 for 2015 and $5,107 for 2014	41,557	60,824
Interest in net assets of ShelterCare Foundation	3,883,965	3,859,312
Total other assets	4,121,461	4,125,149
Total assets	$ 10,310,979	$ 11,422,639

		2015		2014
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$	58,263	$	103,869
Accounts payable - construction		-		593,791
Payroll and related accruals		180,055		229,229
Accrued vacation		122,877		149,684
Client deposits payable		1,385		2,135
Accrued interest payable		23,101		25,290
Current portion of long-term debt		38,686		278,752
Total current liabilities		424,367		1,382,750
Long-term liabilities				
Long-term debt, net of current portion		5,284,166		5,581,189
Total liabilities		5,708,533		6,963,939
Net assets				
Unrestricted:				
Undesignated		263,755		122,050
Board designated endowment		3,883,965		3,859,312
Total unrestricted		4,147,720		3,981,362
Temporarily restricted		454,726		477,338
Total net assets		4,602,446		4,458,700
Total liabilities and net assets	$	10,310,979	$	11,422,639

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

SHELTERCARE
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
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Federal assistance	$ 760,303	$ -	$ 760,303
State and local assistance	672,003	-	672,003
United Way	97,206	-	97,206
Grants and contributions	2,133,678	123,386	2,257,064
In-kind contributions	341,675	-	341,675
Program service revenue	5,047,180	-	5,047,180
Change in interest in net assets of ShelterCare Foundation	92,882	-	92,882
Interest income	1,410	-	1,410
Other income	280,357	-	280,357
Net assets released from restrictions	701,067	(701,067)	-
Total revenues, gains, and other support	10,127,761	(577,681)	9,550,080
Expenses			
Program services:			
Homeless services:			
Emergency shelter, HPP, transitional services	1,152,905	-	1,152,905
Mental health services:			
Homeless and transitional services	1,305,662	-	1,305,662
Crisis respite and intensive residential care	3,497,646	-	3,497,646
Longer-term residential services	535,176	-	535,176
Acquired brain injury services	346,333	-	346,333
Total program services	6,837,722	-	6,837,722
Supporting services:			
General and administrative	1,023,619	-	1,023,619
Fundraising	202,730	-	202,730
Total supporting services	1,226,349	-	1,226,349
ShelterCare 499 Project	54,494	-	54,494
Total expenses	8,118,565	-	8,118,565
Change in net assets	2,009,196	(577,681)	1,431,515
Net assets, beginning of year	1,972,166	1,055,019	3,027,185
Net assets, end of year	$ 3,981,362	$ 477,338	$ 4,458,700

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

SHELTERCARE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 143,746	$ 1,431,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	273,468	174,838
(Gain) loss on disposal of fixed assets	5,052	(1,500)
Noncash change in interest in ShelterCare Foundation	(24,653)	(114,883)
Capital Campaign contributions	(104,444)	(1,649,279)
(Increase) decrease in:		
Grants and contracts receivable	(231,154)	412,044
Program services receivable	346,668	20,670
Capital Campaign pledges receivable	22,962	(10,847)
Prepaid expenses and deposits	983	(12,096)
Increase (decrease) in:		
Accounts payable	(45,606)	2,137
Payroll and related accruals	(49,174)	13,412
Accrued vacation	(26,807)	(25,942)
Client deposits payable	(750)	(181)
Accrued interest payable	(2,189)	25,290
Net cash provided by operating activities	308,102	265,178
Cash flows from investing activities		
Purchase of property and equipment	(1,101,955)	(1,733,014)
Proceeds from the sale of property and equipment	-	1,500
Payment of loan fees	-	(193,473)
Contribution to interest in ShelterCare Foundation	-	(3,120,000)
Proceeds from interest in ShelterCare Foundation	-	22,000
Net cash used by investing activities	(1,101,955)	(5,022,987)
Cash flows from financing activities		
Proceeds from Capital Campaign contributions	104,444	1,649,279
Proceeds from long-term debt	-	4,340,000
Principal payments on long-term debt	(537,089)	(41,510)
Net cash provided (used) by financing activities	(432,645)	5,947,769

	2015	2014
Net increase (decrease) in cash and cash equivalents	(1,226,498)	1,189,960
Cash and cash equivalents, beginning of year	1,782,097	592,137
Cash and cash equivalents, end of year	$ 555,599	$ 1,782,097
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 135,747	$ 78,830
Supplemental disclosure of noncash investing and financing activities		
Total increase in property and equipment	$ 508,164	$ 2,326,805
Change in accounts payable - construction	593,791	(593,791)
Cash paid for property and equipment	$ 1,101,955	$ 1,733,014

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

SHELTERCARE
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 Transitions	The Inside Program	The Shankle Program	Royal Avenue Program	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 and amortization	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				
Eugene Supported Housing	ShelterCare Supported Housing	Uhlhorn Program	Total Program Services	General and Administrative	Fundraising	Total Program and Support Services	ShelterCare 499 Project	Total Expenses
$ 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
$ 191,356	$ 1,438,799	$ 363,387	$ 6,369,272	$ 1,315,956	$ 233,804	$ 7,919,032	$ 159,015	$ 8,078,047

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

SHELTERCARE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	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 Transitions	The Inside Program	The Shankle Program	Royal Avenue Program	Garden Place	The Heeran Center Residence
Salaries and wages	$ 202,461	$ 180,041	$ 136,612	$ 179,275	$ 426,428	$ 644,036	$ 675,928	$ 739,367
Payroll taxes	14,408	13,476	10,391	12,688	30,754	46,273	49,331	54,615
Health benefits	27,627	15,385	16,786	17,184	43,054	58,340	66,653	65,624
Retirement plan expense	3,148	1,551	2,537	1,274	6,971	10,044	5,197	8,113
Other fringe benefits	7,999	5,365	4,599	5,268	14,210	19,526	18,084	20,029
Training	655	206	1,064	1,703	1,018	1,408	1,492	656
Travel	5,281	2,335	1,873	6,912	4,625	634	2,036	4,482
Client assistance	51,718	48,309	162,012	125,867	135,911	41,441	37,535	45,186
Rent	10,800	9,600	1,200	12,530	121,000	-	-	92,340
Utilities	32,036	13,217	3,634	12,290	9,096	20,572	11,970	48,257
Telephone and cellular services	8,151	3,921	2,501	10,789	4,666	4,936	6,102	6,943
Fundraising events	-	-	-	-	-	-	-	-
Insurance	3,336	5,242	2,861	6,840	3,800	9,880	12,160	14,440
Medical and professional services	6,324	3,327	1,037	14,505	3,018	2,700	54,881	214,690
Repairs and maintenance	63,900	24,409	-	17,893	28,624	37,065	20,814	18,335
Supplies	9,732	4,063	2,817	5,070	15,487	21,395	35,603	52,750
Uniforms and laundry	-	1,156	-	-	-	1,225	1,200	300
Miscellaneous	3,433	20	-	156	4,757	10	121	652
Interest	47	21	-	29	50	70	39,666	563
Volunteer program expense	200	294	-	120	138	54	161	76
Recruiting	324	90	320	383	249	621	1,142	2,386
Program allocation	1,653	939	184	1,123	2,148	3,036	14,278	24,689
Education materials allocation	1,065	1,085	563	814	1,085	1,356	5,968	12,749
Total functional expenses before depreciation	454,298	334,052	350,991	432,713	857,089	924,622	1,060,322	1,427,242
Depreciation	10,765	2,799	-	790	15,070	19,249	55,855	10,356
Total functional expenses	$ 465,063	$ 336,851	$ 350,991	$ 433,503	$ 872,159	$ 943,871	$ 1,116,177	$ 1,437,598

Longer-term Residential Services	**Acquired Brain Injury Services**		Support Services				
Eugene Supported Housing	Uhlhorn Program	Total Program Services	General and Administrative	Fundraising	Total Program and Support Services	ShelterCare 499 Project	Total Expenses
$ 383,475	$ 226,776	$ 3,794,399	$ 643,003	$ 112,093	$ 4,549,495	$ -	$ 4,549,495
27,863	15,950	275,749	45,624	8,337	329,710	-	329,710
33,006	30,131	373,790	30,202	13,284	417,276	-	417,276
4,798	2,122	45,755	10,456	1,067	57,278	-	57,278
9,127	5,515	109,722	18,880	2,661	131,263	-	131,263
2,249	1,178	11,629	13,884	499	26,012	-	26,012
8,494	9,560	46,232	21,164	381	67,777	-	67,777
3,402	7,228	658,609	-	-	658,609	-	658,609
11,824	16,872	276,166	-	-	276,166	-	276,166
530	675	152,277	8,957	-	161,234	-	161,234
7,092	6,986	62,087	6,544	1,449	70,080	-	70,080
-	-	-	-	14,596	14,596	-	14,596
6,840	3,116	68,515	4,065	-	72,580	-	72,580
9,214	1,012	310,708	126,693	10,306	447,707	14,000	461,707
7,766	11,920	230,726	3,512	-	234,238	-	234,238
10,486	4,207	161,610	66,109	12,537	240,256	-	240,256
-	-	3,881	-	-	3,881	-	3,881
132	113	9,394	20,546	28,550	58,490	10,185	68,675
38	28	40,512	27,797	3,285	71,594	26,567	98,161
161	214	1,418	-	-	1,418	-	1,418
789	116	6,420	3,705	15	10,140	-	10,140
1,699	1,281	51,030	(51,030)	-	-	-	-
1,899	543	27,127	(19,622)	(7,505)	-	-	-
530,884	345,543	6,717,756	980,489	201,555	7,899,800	50,752	7,950,552
4,292	790	119,966	43,130	1,175	164,271	3,742	168,013
$ 535,176	$ 346,333	$ 6,837,722	$ 1,023,619	$ 202,730	$ 8,064,071	$ 54,494	$ 8,118,565

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 Royal Avenue. Other programs operating from the Center for Programs and Services are McKenzie Transitions 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.

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

In August 2013, ShelterCare established ShelterCare 499 Project, which is a wholly owned subsidiary. The accompanying consolidated financial statements include the accounts of ShelterCare and ShelterCare 499 Project. 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, 2015 and 2014 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:

	2015	2014
Savings and checking accounts	$ 321,388	$ 1,766,079
Money market funds	233,646	15,178
Petty cash	565	840
Total cash and cash equivalents	$ 555,599	$ 1,782,097

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 service 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.

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 functional are allocated among the programs and support services benefited.

Advertising and Marketing Costs

ShelterCare expenses advertising and marketing costs as incurred.

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, 2015 and 2014, ShelterCare's interest in the net assets of ShelterCare Foundation of $3,883,965 and $3,859,312, respectively, was valued using Level 3 inputs. The asset's fair value was determined by reviewing the inputs for the investments held by ShelterCare Foundation at the OCF, which are considered Level 3 financial instruments.

2. Property and Equipment

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

	2015	2014
Land	$ 869,048	$ 869,048
Building	4,595,408	1,672,260
Leasehold improvements	399,477	393,390
Equipment and furnishings	233,190	321,867
Other property	367,957	367,957
Construction in process	-	2,443,126
	6,465,080	6,067,648
Accumulated depreciation and amortization	(1,580,568)	(1,421,854)
Property and equipment, net	$ 4,884,512	$ 4,645,794

Depreciation expense for the years ended June 30, 2015 and 2014 was $264,394 and $168,938 of which $5,499 and $6,825, 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, 2015 and 2014 was $9,074 and $5,900, respectively. Accumulated amortization of loan fees was $19,109 and $10,035 as of June 30, 2015 and 2014, 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.

4. Interest in Net Assets of ShelterCare Foundation, continued

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.

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, 2015 and 2014, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	2015	2014
Balance, beginning of year	$ 3,859,312	$ 646,429
Change in fair market value	(4,407)	94,075
Interest and dividend reinvested	6,685	7,531
Interest income from notes receivable	31,200	17,940
Contribution by ShelterCare	-	3,120,000
Grants to ShelterCare	-	(22,000)
Expenses	(8,825)	(4,663)
Balance, end of year	$ 3,883,965	$ 3,859,312

5. Long-term Debt

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

	2015	2014
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.	$ 1,482,852	$ 1,519,941
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. Long-term Debt, continued

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

	2015	2014
Note payable to Meyer Memorial Trust, secured by personal property and real property. The note agreement calls for quarterly interest payments, beginning June 15, 2014, and annual payments of interest and principal, beginning December 15, 2014, at an interest rate of 1.75% through the maturity. The note was paid in full in February 2015.	-	500,000
	5,322,852	5,859,941
Current portion	(38,686)	(278,752)
Long-term debt, net of current portion	$ 5,284,166	$ 5,581,189

Total interest expense incurred on these notes for the years ended June 30, 2015 and 2014 was $131,054 and $103,529, respectively, of which $-0- and $5,959, respectively, was allocated and included in repairs and maintenance.

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

Year Ending June 30,	
2016	$ 38,686
2017	40,993
2018	43,212
2019	45,550
2020	47,827
Thereafter	5,106,584
Total	$ 5,322,852

6. Line of Credit

ShelterCare executed a $500,000 line of credit with Pacific Continental Bank in September 2008. The line of credit was renewed in December 2014 and the new maturity date is February 1, 2016. The line of credit bears interest at 1.5 percentage points over the bank's prime rate (3.25 percent at the date of the agreement extension), with an interest rate floor of 5.5 percent for the terms ending December 1, 2015 and 2014. The interest rate on the line of credit was 5.5 percent as of June 30, 2015 and 2014. The balance on the line of credit at June 30, 2015 and 2014 was $-0-. Interest expense paid on the line of credit for the years ended June 30, 2015 and 2014, was $2,504 and $591, respectively.

6. **Line of Credit**, continued

ShelterCare executed a $1,250,000 line of credit with Pacific Continental Bank in November 2013 which matured December 1, 2014. The line of credit bore interest at 1.75 percentage points over the bank's prime rate (3.25 percent at the date of the agreement), with an interest rate floor of 5 percent for the term ending December 1, 2014. There were no draws on this line of credit. As the line was intended for short term use during construction, the line of credit was not renewed by ShelterCare after the December 1, 2014 maturity date. Interest expense paid on the line of credit for the years ended June 30, 2015 and 2014 was $-0-.

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, 2015 and 2014, was $39,540 and $39,540, respectively.

8. Service Agreement

During 2013, ShelterCare entered into a three year service agreement related to software purchased in 2012. The agreement calls for indefinite three-year terms and is cancellable by either party if notice is given 90 days prior to the expiration of the then current service term. Future minimum payments under the current three-year term, which ends June 2016, are $61,764.

9. Temporarily Restricted Net Assets

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

	2015	2014
CDBG grant restricted to the Shankle Program kitchen remodel	$ 14,000	$ 17,500
CDBG grant restricted to improvements at Royal Avenue Shelter	99,761	124,702
HOME grant restricted to Garden kitchen remodel	133,000	133,000
Contributions restricted for 499 building remodel	77,965	102,136
Other support restricted to specific programs or activities	130,000	100,000
Total temporarily restricted net assets	$ 454,726	$ 477,338

10. Program Service Revenue

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

	2015	2014
Service to governments:		
Medicaid – Title XIX	$ 1,620,344	$ 1,342,523
AMHI	1,352,718	1,510,627
Fees and contracts from government agencies	1,290,443	1,259,234
Acquired brain injury	407,953	347,125
Other services:		
Homeless medical respite	231,003	198,428
Rent	159,402	203,556
Program fees	139,934	167,844
Other fees	19,327	17,843
Total program service revenue	$ 5,221,124	$ 5,047,180

11. 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:

	2015	2014
In-kind contributions of goods	$ 60,739	$ 131,277
Professional services	46,577	89,398
Use of facilities	121,000	121,000
Total in-kind contributions	$ 228,316	$ 341,675

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 $57,350 and $41,911 for June 30, 2015 and 2014, respectively.

12. 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:

	2015	2014
DH, Incorporated:		
Management fees	$ 10,706	$ 9,463
Administrative fees	25,742	19,319
Maintenance fees	14,032	14,455
Total DH, Incorporated	50,480	43,237
Afiya Apartments:		
Management fees	8,261	8,381
Administrative fees	22,581	12,748
Maintenance fees	9,071	7,222
Total Afiya Apartments	39,913	28,351
Total related party service revenue	$ 90,393	$ 71,588

ShelterCare also paid DH, Incorporated rent of $16,960 and $16,872 for the years ended June 30, 2015 and 2014, respectively. The amount receivable from DH, Incorporated at June 30, 2015 and 2014, was $6,162 and $2,894, respectively. The amount receivable from Afiya Apartments at June 30, 2015 and 2014 was $8,397 and $2,472, respectively.

13. 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 $340,132 and $1,306,726 at June 30, 2015 and 2014, 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, 2015 and 2014, receivables from this single government agency comprised 69.6 percent and 57.9 percent, respectively, of the total grants and contracts receivable balance. The balance of program service receivables is primarily comprised of receivables from two agencies. As of June 30, 2015 and 2014, the receivable balance from these two agencies comprised 100 percent of the total program services receivable balance.

14. 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 $48,006 and $57,897 for the years ended June 30, 2015 and 2014, respectively, of which $957 and $619, respectively, is included in repairs and maintenance on the consolidated statements of functional expenses. As of June 30, 2015 and 2014, $9,300 and $12,889, 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.

15. 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, 2015 and 2014, ShelterCare did not make a contribution to the HRA.

16. 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, 2015 and 2014, $14,000 and $17,500, 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, 2015 and 2014, $99,761 and $124,702, respectively, in improvements at Royal Avenue Program funded by CDBG and HOME have been included as temporarily restricted net assets. As of June 30, 2015 and 2014, $133,000 and $133,000, respectively, in improvements at Garden Place Kitchen remodel funded by CDBG and HOME have been included as temporarily restricted net assets.

16. 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.

17. Reclassification

Certain amounts in the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on previously stated net assets or change in net assets.

18. 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.

SUPPLEMENTARY INFORMATION

SHELTERCARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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	$ 479,149
McKenzie Transitions		51327	224,846
Rapid Rehousing Cascades		51025	130,334
Camas Permanent Housing		51722	32,636
Total U.S. Department of Housing and Urban Development			866,965
U.S. Department of Homeland Security			
Direct Award - Emergency Food and Shelter National Board Program	97.024	15042	4,000
Total federal awards			$ 870,965

* Major program

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ShelterCare and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

Jones Roth
CPAs & Business Advisors

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 (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015, 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 January 4, 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 that we consider to be a significant deficiency. We consider Finding 2015-001 to be a significant deficiency.

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fax (503) 648-2692

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*.

ShelterCare's Response to Findings

ShelterCare's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ShelterCare'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 the Organization'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 4, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ShelterCare's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

The Right People Beside You.
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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 OMB Circular A-133, 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2015-002 that we consider to be a significant deficiency.

ShelterCare's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. ShelterCare's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 4, 2016

SHELTERCARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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, 2015.
- One significant deficiency was disclosed during the audit of the consolidated financial statements of ShelterCare for the year ended June 30, 2015. No material weaknesses are reported.
- No instances of noncompliance material to the consolidated financial statements of ShelterCare, were disclosed during the audit.
- One significant deficiency was disclosed during the audit of the internal control over major federal award programs. No material weaknesses are reported.
- 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 OMB Circular A-133 are reported in this schedule.
- The program tested as a major programs was:

Continuum of Care Program	14.267

- The threshold for distinguishing between Type A and B programs was $300,000.
- ShelterCare did not qualify as a low-risk auditee.

Findings – Consolidated Financial Statements Audit

Finding 2015-001

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

Criteria: Under professional standards, it is the responsibility of ShelterCare's management to design and implement internal controls over financial reporting to ensure that ShelterCare'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's management are required to be reported as a deficiency in internal control 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 the following impact on the consolidated financial statements if left unadjusted:

Assets	Overstated by $144,927
Liabilities	Overstated by $344,268
Net Assets	Understated by $199,341
Revenues	Understated by $2,515
Expenses	Understated by $2,730

Findings – Consolidated Financial Statements Audit, continued

Finding 2015-001, continued

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.

Management's Response and Planned Corrective Actions: ShelterCare's Controller has designed and implemented improved internal controls. Specific controls have been implemented for the recording of restricted net assets and for the Sublease transactions between ShelterCare and ShelterCare 499 Project, which were identified to have deficiencies. Controller will review all journal entries, and will enter financial data in accordance with GAAP.

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.

Criteria: It is the responsibility of ShelterCare's management to design and implement adequate internal controls over compliance in accordance with OMB Circular A-122 *Cost Principles for Non-Profit Organizations*.

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.

Cause: Employees and supervisors failed to indicate review and approval of timesheets with signature or electronic approval in the payroll system.

Effect of Condition: This introduces the possibility that errors in the timesheets would not be caught and corrected which could lead to federal funds being used for unallowable activities or unallowable costs being charged to the federal program.

Context: There were three instances of missing employee approvals on timesheets and four instances of missing supervisor approvals on timesheets in a sample of 60.

Findings and Questioned Costs – Major Federal Award Programs Audit, continued

Finding 2015-002, continued

Recommendation: We recommend management review the current processes in place for review and approval of timesheets by employees and supervisors and evaluate the need to revise the process to ensure timesheets are reviewed and approved by employees and supervisors in a timely manner and that such review is documented with signature or approval in the electronic payroll system.

Management's Response and Planned Corrective Actions: ShelterCare's Controller has designed and implemented improved internal controls over timesheets. In accordance with OMB Circular A-122, ShelterCare has implemented amended processes and will review all employee timesheets, to insure that all timesheets are signed by employee and supervisor, in a timely manner.

Prior Year Findings – Consolidated Financial Statements Audit

Finding 2014-1

Type of Finding: Material weakness in internal controls over financial reporting

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

Assets	Understated by $346,028
Liabilities	Understated by $549,809
Net Assets	Overstated by $203,782
Revenues	Understated by $129,461
Expenses	Understated by $423,409

Recommendation: We recommended management review the design and implementation of internal control procedures and identify areas to strengthen ShelterCare's internal controls. We recommended updating the process used to reconcile significant accounts at year-end and adding additional layers of review before information is provided for audit. We also recommended management ensure there is a process in place to review and approve significant general journal entries prior to such journal entries being posted to the accounting records.

Current Status: We noted some improvement in the implementation of internal controls over financial reporting resulting in less required audit adjustments; however, there were still a number of adjustments needed in order to adjust the accounting records to be properly stated in accordance with GAAP. See Finding 2015-001.

Prior Year Findings – Major Federal Award Programs Audit

Finding 2014-2

Type of Finding: Significant deficiency in internal control 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 we noted multiple instances in which the information on employee timesheets, monthly activity reports, and/or billing spreadsheets did not all agree. The process used by ShelterCare includes review of each of these documents; however we noted there were instances in which miscalculations on the timesheets and/or monthly activity reports were caught during the review process; however, any changes made due to these errors were not updated on all of the documents affected by the error. This led to discrepancies between the final timesheets, monthly activity reports, and billing spreadsheets which are the documents used to support payroll costs charged to the major federal program.

Recommendation: We recommended management review the current processes in place for review of the supporting documents for payroll expenses, the timesheets, monthly activity reports, and the billing spreadsheets, and evaluate the need to revise the process to ensure any errors caught during review of these documents are corrected on all of the affected documents.

Current Status: We noted significant improvement in the implementation of internal controls over compliance with respect to allowable costs. We noted ShelterCare performed an internal review of the employee timesheets, monthly activity reports, and billing spreadsheets for the period from July 2014 through November 2014 and corrected any noted mistakes internally. During our testing we did not note reportable instances of discrepancies between final timesheets, monthly activity reports and/or billing spreadsheets. However, we noted missing approval signatures on the timesheets; see Finding 2015-002.