SHELTERCARE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2021 and 2020

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SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2021

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Vice President	Chris Page
Secretary	Jacob Fox
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

The Right People Beside You.
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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, 2021 and 2020, 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 February 22, 2022, on our consideration of ShelterCare and subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ShelterCare and subsidiary's internal control over financial reporting and compliance.

Jones & Roth P.C.

Jones & Roth, P.C.
Eugene, Oregon
February 22, 2022

CONSOLIDATED FINANCIAL STATEMENTS

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 547,494	$ 1,499,678
Receivables:		
Grants and contracts receivable, net of allowance of $-0- for 2021 and $225 for 2020	408,260	411,328
Program services receivable, net of allowance of $8,136 for 2021 and $7,789 for 2020	62,374	69,104
Pledges receivable, current portion	5,000	5,000
Prepaid expenses and deposits	180,009	164,740
Total current assets	1,203,137	2,149,850
Property and equipment, net	3,696,033	3,974,149
Other assets		
Pledges receivable, net of current portion	-	5,000
Interest in net assets of ShelterCare Foundation	995,179	751,386
Total other assets	995,179	756,386
Total assets	$ 5,894,349	$ 6,880,385

	2021	2020
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 68,299	$ 42,426
Payroll and related accruals	211,502	184,717
Accrued interest payable	11,187	2,053
Line of credit	183,000	138,000
Current portion of long-term debt	51,592	46,411
Contract overpayment liability	647,879	647,879
Deferred revenue (contract advance)	269,686	-
Accrued vacation	147,217	132,760
Client deposits payable	3,504	3,554
Total current liabilities	1,593,866	1,197,800
Long-term liabilities		
Paycheck Protection Program loan	913,435	913,435
Long-term debt, net of current portion and unamortized deferred financing costs	1,164,179	1,217,782
Total long-term liabilities	2,077,614	2,131,217
Total liabilities	3,671,480	3,329,017
Net assets		
Net assets without donor restrictions	2,068,634	3,069,640
Net assets with donor restrictions	154,235	481,728
Total net assets	2,222,869	3,551,368
Total liabilities and net assets	$ 5,894,349	$ 6,880,385

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Federal assistance	$ 2,290,159	$ -	$ 2,290,159
State and local assistance	4,221,210	-	4,221,210
Grants and contributions	468,872	9,000	477,872
In-kind contributions	91,206	-	91,206
Program service and contract revenue	1,116,403	-	1,116,403
Change in interest in net assets of ShelterCare Foundation	275,730	-	275,730
Interest income	309	-	309
Other income	105,448	-	105,448
Net assets released from restrictions	336,493	(336,493)	-
Total revenues, gains, and other support	8,905,830	(327,493)	8,578,337
Expenses			
Program services:			
Homeless services	7,329,348	-	7,329,348
Mental health services	803,989	-	803,989
Property management services	66,415	-	66,415
Total program services	8,199,752	-	8,199,752
Support services:			
General and administrative	1,499,862	-	1,499,862
Fundraising	207,222	-	207,222
Total support services	1,707,084	-	1,707,084
Total expenses	9,906,836	-	9,906,836
Change in net assets	(1,001,006)	(327,493)	(1,328,499)
Net assets, beginning of year	3,069,640	481,728	3,551,368
Net assets, end of year	$ 2,068,634	$ 154,235	$ 2,222,869

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Federal assistance	$ 1,369,405	$ -	$ 1,369,405
State and local assistance	2,191,809	-	2,191,809
Grants and contributions	1,706,599	471,268	2,177,867
In-kind contributions	139,284	-	139,284
Program service revenue	1,946,210	-	1,946,210
Change in interest in net assets of ShelterCare Foundation	(17,639)	-	(17,639)
Interest income	716	-	716
Other income	85,438	-	85,438
Net assets released from restrictions	714,754	(714,754)	-
Total revenues, gains, and other support	8,136,576	(243,486)	7,893,090
Expenses			
Program services:			
Homeless services	5,121,255	-	5,121,255
Mental health services	1,108,044	-	1,108,044
Property management services	91,503	-	91,503
Total program services	6,320,802	-	6,320,802
Support services:			
General and administrative	1,278,742	-	1,278,742
Fundraising	164,316	-	164,316
Total support services	1,443,058	-	1,443,058
Total expenses	7,763,860	-	7,763,860
Change in net assets before discontinued operations	372,716	(243,486)	129,230
Discontinued operations			
Net loss from Garden Program	(19,430)	-	(19,430)
Net loss from Uhlhorn Program	(150,563)	-	(150,563)
Change in net assets after discontinued operations	202,723	(243,486)	(40,763)
Net assets, beginning of year	2,866,917	725,214	3,592,131
Net assets, end of year	$ 3,069,640	$ 481,728	$ 3,551,368

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

SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ (1,328,499)	$ (40,763)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	294,202	294,732
Amortization of deferred financing fees	2,157	159,624
Loss on disposal of assets	7,464	-
Noncash change in interest in ShelterCare Foundation	(275,730)	(13,360)
Noncash forgiveness of note receivable	-	3,120,000
Noncash forgiveness of long-term debt	-	(3,840,000)
(Increase) decrease in:		
Grants and contracts receivable	3,068	154,018
Program services receivable	6,730	159,430
Pledges receivable	5,000	(10,000)
Prepaid expenses and deposits	(15,269)	21,495
Increase (decrease) in:		
Accounts payable	25,873	(31,727)
Payroll and related accruals	26,785	(18,549)
Accrued interest payable	9,134	(21,487)
Contract overpayment liability	-	84,332
Deferred revenue (contract advance)	269,686	-
Accrued vacation	14,457	(3,400)
Client deposits payable	(50)	150
Net cash provided (used) by operating activities	(954,992)	14,495
Cash flows from investing activities		
Purchase of property and equipment	(23,550)	(224,144)
Proceeds from interest in ShelterCare Foundation	31,937	86,711
Net cash provided (used) by investing activities	8,387	(137,433)
Cash flows from financing activities		
Net proceeds from (payments on) line of credit	45,000	138,000
Proceeds from Paycheck Protection Program loan	-	913,435
Principal payments on long-term debt	(50,579)	(48,184)
Net cash provided (used) by financing activities	(5,579)	1,003,251

	2021	2020
Net increase (decrease) in cash and cash equivalents	(952,184)	880,313
Cash and cash equivalents, beginning of year	1,499,678	619,365
Cash and cash equivalents, end of year	$ 547,494	$ 1,499,678
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 93,277	$ 146,211
Supplemental disclosure of noncash investing and financing activities		
Total (decrease) increase in interest in ShelterCare Foundation	$ -	$ (3,193,351)
Noncash forgiveness of notes receivable due to unwind of New Market Tax Credit Transaction (Note 17)	-	3,120,000
Noncash change in interest in ShelterCare Foundation	-	(13,360)
Cash proceeds from interest in ShelterCare Foundation	$ -	$ (86,711)
Noncash forgiveness of long-term debt due to unwind of New Market Tax Credit Transaction (Note 17)	$ -	$ (3,840,000)

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, 2021

	Program Services									
	Homeless Services				**Mental Health Services**					
	Emergency Shelter, HPP and Transitional Services				Crisis Respite and Intensive Residential Care			Support Services		
	Family Housing Program	Commons at MLK	Housing Services for Families	ShelterCare Supported Housing	Behavioral Health	Property Management Services	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	$ 454,959	$ 214,563	$ 287,658	$ 703,925	$ 529,554	$ 6,232	$ 2,196,891	$ 798,755	$ 136,134	$ 3,131,780
Payroll taxes	33,551	16,425	13,520	45,353	45,513	394	154,756	60,028	8,264	223,048
Health benefits	71,973	22,546	38,698	79,475	95,155	-	307,847	74,293	5,288	387,428
Retirement plan expense	5,425	2,552	3,418	7,098	5,406	69	23,968	16,243	1,801	42,012
Other fringe benefits	15,504	7,107	17,420	19,474	10,348	165	70,018	26,887	2,337	99,242
Training	27	3,244	70	1,633	1,281	575	6,830	10,035	30	16,895
Travel	3,528	22	2,124	22,802	4,155	337	32,968	-	800	33,768
Client assistance	348,182	27,466	2,864,896	1,041,903	95	47,550	4,330,092	10,830	-	4,340,922
Rent	9,318	-	2,682	79,284	-	-	91,284	1,959	-	93,243
Utilities	52,954	-	8,781	18,334	6,790	479	87,338	17,420	2,440	107,198
Telephone and cellular services	12,867	1,262	3,616	14,777	8,860	555	41,937	12,727	1,352	56,016
Fundraising events	-	-	-	-	-	-	-	-	2,957	2,957
Insurance	19,352	6,048	18,144	35,075	14,515	1,157	94,291	24,246	2,419	120,956
Medical and professional services	16,058	4,079	3,848	24,950	43,279	3,442	95,656	126,032	9,296	230,984
Repairs and maintenance	144,416	104	18,713	221,249	7,147	905	392,534	23,497	2,569	418,600
Supplies	29,583	5,009	12,729	14,509	2,807	3,448	68,085	40,590	5,314	113,989
Miscellaneous	180	-	3	1,110	-	-	1,293	16,579	17,228	35,100
Interest	-	-	-	1,277	7,076	126	8,479	93,545	2,544	104,568
Recruiting	1	-	6	16	1,206	-	1,229	19,288	2	20,519
Bad debt expense	-	-	-	-	-	-	-	25,945	-	25,945
Loss on disposals	-	-	-	7,464	-	-	7,464	-	-	7,464
Depreciation	75,270	3,957	40,625	45,157	20,802	981	186,792	100,963	6,447	294,202
Total functional expenses	$ 1,293,148	$ 314,384	$ 3,336,951	$ 2,384,865	$ 803,989	$ 66,415	$ 8,199,752	$ 1,499,862	$ 207,222	$ 9,906,836

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, 2020

	Program Services						Support Services		
	Homeless Services			**Mental Health Services**					
	Emergency Shelter, HPP and Transitional Services			Crisis Respite and Intensive Residential Care					
	Family Housing Program	Housing Services for Families	ShelterCare Supported Housing	Behavioral Health	Property Management Services	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	$ 526,680	$ 247,901	$ 836,479	$ 739,592	$ 24,437	$ 2,375,089	$ 669,858	$ 101,416	$ 3,146,363
Payroll taxes	37,958	17,627	57,622	57,408	1,873	172,488	49,353	7,384	229,225
Health benefits	74,128	37,565	105,751	109,504	1,798	328,746	64,494	7,153	400,393
Retirement plan expense	6,840	3,284	10,362	7,934	126	28,546	13,877	1,358	43,781
Other fringe benefits	17,187	7,453	27,804	16,399	233	69,076	35,521	2,357	106,954
Training	744	84	992	2,284	45	4,149	20,684	448	25,281
Travel	6,465	4,962	23,809	13,965	1,180	50,381	1,356	2,365	54,102
Client assistance	447,563	605,034	955,679	1,876	47,170	2,057,322	1,973	350	2,059,645
Rent	9,318	2,620	126,882	-	-	138,820	1,891	-	140,711
Utilities	65,141	8,972	15,918	8,250	210	98,491	7,340	2,625	108,456
Telephone and cellular services	17,815	3,023	9,627	8,575	892	39,932	4,584	1,251	45,767
Fundraising events	-	-	-	-	-	-	-	5,424	5,424
Insurance	32,243	6,454	22,203	18,285	3,227	82,412	16,465	1,968	100,845
Medical and professional services	28,078	17,555	16,675	29,884	4,620	96,812	123,800	1,155	221,767
Repairs and maintenance	167,757	12,518	153,396	17,576	660	351,907	18,058	4,016	373,981
Supplies	25,252	4,218	26,094	11,360	995	67,919	32,531	6,685	107,135
Miscellaneous	8	25	63	58	12	166	17,665	2,113	19,944
Interest	55,690	24,307	59,670	35,878	2,395	177,940	84,663	9,716	272,319
Recruiting	275	16	133	82	2	508	53,905	-	54,413
Bad debt expense	-	-	-	-	-	-	4,289	-	4,289
Depreciation	78,560	16,128	54,648	29,134	1,628	180,098	56,435	6,532	243,065
Total functional expenses	$ 1,597,702	$ 1,019,746	$ 2,503,807	$ 1,108,044	$ 91,503	$ 6,320,802	$ 1,278,742	$ 164,316	$ 7,763,860

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, Housing Services for Families (HSF), 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 Short Term Housing (STH) and ShelterCare Medical Recuperation (SMR) and Commons at MLK (MLK). Other programs operating from the STH location, but part of the Housing Services for Families program (HSF), are McKenzie Rapid Rehousing, and Homelessness Prevention.

Mental Health Services and Permanent Supported Housing (PSH): Homeless and Transitional Services include transitional and longer-term supported housing for individuals with psychiatric disabilities. Programs include the Behavioral Health program, State Rental Assistance Program, and scattered site supported housing and services offered at Hawthorn Apartments, Signpost Apartments, and Afiya Apartments.

Property Management Services: Services include providing property management services for supported housing programs in Eugene and Springfield, which includes three housing facilities for adults with acquired brain injuries and/or psychiatric disabilities.

Principles of Consolidation

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

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 (U.S. GAAP).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. Summary of Significant Accounting Policies, continued

Recent Accounting Standard Adopted

During the year ended June 30, 2021, ShelterCare adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (FASB ASC Topic 606) and all subsequently issued clarifying ASUs. The ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ShelterCare adopted the new standard effective July 1, 2020, using the full retrospective approach in the financial statements.

ShelterCare's contract revenue is comprised of billing revenue for mental health services, which is recognized at a point in time when the services are provided, which is considered satisfaction of performance obligation. In addition, ShelterCare's contracts do not contain variable consideration or contract modification. For these reasons, there was not a significant impact as a result of implementing the new standard. Based on ShelterCare's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption, and the adoption has not resulted in the recognition of additional assets or liabilities.

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.

Subsequent to year end, in July 2021, ShelterCare was notified its Paycheck Protection Program (PPP) loan in the amount of $913,435 was fully forgiven by the lender and the Small Business Administration (SBA).

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, if any, at current statutory rates.

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:

	2021	2020
Savings and checking accounts	$ 138,520	$ 824,296
Money market funds	408,649	674,942
Petty cash	325	440
Total cash and cash equivalents	$ 547,494	$ 1,499,678

1. Summary of Significant Accounting Policies, continued

Receivables

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

Property and Equipment

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

Deferred Financing Costs

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

Net Assets

In accordance with U.S. GAAP, ShelterCare is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Restricted donations for which the restriction is met during the same fiscal year are recorded as net assets without donor restrictions. Donor restrictions of long-lived assets or donations restricted to purchase long-lived assets are considered released from restriction when placed in service unless there are explicit donor stipulations for the use of the asset for a set amount of time. In such cases, restrictions are released over the lesser of the specified amount of time of the donor restriction or the estimated useful life of the asset. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Currently, ShelterCare has no net assets that are classified with perpetual donor restrictions.

1. Summary of Significant Accounting Policies, continued

Revenues and Other Support

Support for programs comes from federal, state, and local grants and contracts; United Way; and donor contributions. The majority of the grants received are expense reimbursement based grants; therefore, the grant revenue is recognized when the related expenses are incurred by ShelterCare. Other contribution revenue is recognized when the contribution is promised or made. 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.

ShelterCare also earns fee-for-service revenue under various contractual arrangements. Program service revenue is comprised primarily of fee-for-service billing revenue and is recognized in the period in which ShelterCare provides the services. Amounts are billed pursuant to contract terms and payment is due when the services are billed.

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 generally based on the actual time and effort allocations of direct labor costs.

Advertising and Marketing Costs

ShelterCare expenses advertising and marketing costs as incurred.

Fair Value Measurements

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

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

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

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, 2021 and 2020, the fair value of ShelterCare's beneficial interest in the net assets of ShelterCare Foundation was $995,179 and $751,386, 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 based on the value of the underlying assets held at Oregon Community Foundation (OCF) which represents ShelterCare Foundation's share of a pooled investment portfolio managed by OCF. ShelterCare Foundation's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including the use of Level 1, Level 2, and Level 3 inputs. 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. See Note 3 for reconciliation of changes in assets measured with Level 3 inputs.

2. Property and Equipment

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

	2021	2020
Land	$ 874,436	$ 874,436
Building	4,611,853	4,611,853
Leasehold improvements	343,817	437,576
Equipment and furnishings	239,747	246,978
Other property	441,979	441,979
	6,511,832	6,612,822
Accumulated depreciation	(2,815,799)	(2,638,673)
Property and equipment, net	$ 3,696,033	$ 3,974,149

Depreciation expense for the year ended June 30, 2021 was $294,202. Depreciation expense for the year ended June 30, 2020 was $294,732, of which $51,667 was reported as part of the net loss from discontinued operations.

3. Interest in Net Assets of ShelterCare Foundation

During 2006, ShelterCare terminated its endowment fund with OCF and transferred all remaining assets to a newly formed exempt organization, ShelterCare Foundation. ShelterCare specified itself as the beneficiary of ShelterCare Foundation assets. Variance power has not been granted by ShelterCare to ShelterCare Foundation. The investment objectives are to invest the endowment funds in a manner that will maximize the benefit intended by the donors and the Board, produce current income to support the programs of ShelterCare, and protect the principal of the funds. ShelterCare Foundation established an endowment fund with OCF to manage its investment portfolio. ShelterCare reports as an asset its interest in the net assets of ShelterCare Foundation at fair value as an asset measured with Level 3 inputs. The interest in the net assets of ShelterCare Foundation is considered a Board-designated endowment and is reported with net assets without donor restriction.

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.

3. Interest in Net Assets of ShelterCare Foundation, continued

For the years ended June 30, 2021 and 2020, the change in the fair value of ShelterCare's interest in the net assets of ShelterCare Foundation was as follows:

	2021	2020
Balance, beginning of year	$ 751,386	$ 3,944,737
Change in fair market value	278,226	(8,347)
Interest and dividend reinvested	4,407	5,381
Interest income from notes receivable	-	22,793
Miscellaneous income	50	-
Forgiveness of note receivable due from ShelterCare	-	(3,120,000)
Distributions to ShelterCare	(31,937)	(86,711)
Expenses	(6,953)	(6,467)
Balance, end of year	$ 995,179	$ 751,386

4. Line of Credit

ShelterCare has an agreement for a $750,000 line of credit with Columbia Bank. The line of credit bears interest at a variable rate, with an interest rate floor of 5.5 percent. The interest rate on the line of credit was 5.50 percent as of June 30, 2021 and 2020. The balance on the line of credit at June 30, 2021 and 2020, was $183,000 and $138,000, respectively. Interest expense paid on the line of credit for the years ended June 30, 2021 and 2020, was $25,701 and $19,349, respectively. The line of credit maturity date was extended in August 2021 and the extended maturity date is February 15, 2022. The line of credit with Columbia bank was not renewed in February 2022 and the outstanding balance was paid in full. In February 2022, ShelterCare entered into an agreement with Oregon Pacific Bank for a new $900,000 line of credit. The new line of credit bears interest at a variable rate. The line of credit matures February 5, 2025.

5. Long-term Debt

At June 30, long-term debt consisted of a Note payable to Columbia Bank, secured by investment in real estate. The note agreement calls for monthly payments of $9,690, including interest at 5.21% commencing October 1, 2011. At June 30, 2021 and 2020, the note balance was $1,215,951 and $1,266,530, respectively, presented net of unamortized deferred financing costs of $180 and $2,337, respectively. The note required a balloon payment for the full amount due on February 15, 2022; however, the note was refinanced with a new bank in February 2022 as noted below.

Total interest expense for the note for the years ended June 30, 2021 and 2020, was $67,619 and $261,626, respectively, of which $2,158 and $159,624, respectively, were for amortization of the deferred financing fees. The loan fees associated with the note that was forgiven during the year were fully amortized and the amortization was charged to interest expense and is included in the amounts above.

5. Long-term Debt, continued

Subsequent to year end, on February 3, 2022, ShelterCare refinanced the note payable to Columbia Bank with Oregon Pacific Bank. The new note payable has principal balance of $1,210,000. The terms of the new loan call for monthly payments of $8,741, including interest at 3.6 percent, for 120 months, then monthly payments of $8,818, including interest at 3.95 percent, for 60 months. The note matures February 5, 2037.

Future required principal payments for the Oregon Pacific Bank note are as follows:

Year Ending June 30,		
2022	$	20,297
2023		63,103
2024		65,413
2025		67,807
2026		70,288
Thereafter		923,092
Total	$	1,210,000

6. Paycheck Protection Program Loan

In April 2020, ShelterCare applied for and was awarded a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (The CARES Act) through Columbia State Bank. ShelterCare was approved for a loan in the amount of $913,435 as evidenced by a promissory note dated April 27, 2020. The loan accrues interest at a rate of 1.00 percent (simple interest). The loan is unsecured.

The provisions of the agreement state that ShelterCare may apply to the lender for forgiveness of the loan in the amount equal to the sum of eligible costs incurred by ShelterCare as defined in the CARES Act and the loan agreement. If not forgiven, repayments of the loan begin August 2021 and the loan matures April 2025.

As of June 30, 2021, ShelterCare had applied for forgiveness of the loan. Upon forgiveness of the loan, ShelterCare will recognize income for the amount forgiven in accordance with FASB ASC 470-20, *Liabilities: Extinguishment of Liabilities.* Subsequent to year end, in July 2021, ShelterCare received notification the lender and SBA approved the forgiveness of the PPP loan and related interest in full and in July 2021 the SBA tendered payment to the lender.

7. Description of Leasing Arrangements

ShelterCare has several month-to-month leases as lessee for facilities and programs that continue until cancelled by either party. ShelterCare also receives donated use of facilities for its Supported Housing programs. Total rent expense for the years ended June 30, 2021 and 2020, was $93,243 and $160,499, respectively, which includes $73,464 and $121,000 for in-kind use of facilities, respectively.

ShelterCare also leases out space to a third party (as lessor) under a memorandum of understanding which calls for monthly payments of $6,650. The MOU may be cancelled be either party.

8. Net Assets With Donor Restrictions

At June 30, net assets with donor restrictions were available for the following purposes:

	2021	2020
Support restricted to the Homeless Prevention Program	$ -	$ 184,612
Support restricted to the Transitional Housing Project	-	99,997
Support restricted to Eviction Intervention Program	17,978	38,837
CDBG grant for SMR capital improvements	127,257	142,840
Support restricted to specific programs or activities	9,000	15,442
Total net assets with donor restrictions	$ 154,235	$ 481,728

9. Program Service Revenue

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

	2021	2020
Medicaid – Title XIX	$ 562,443	$ 1,042,561
Homeless medical respite	185,682	499,936
Rent, program, and other fees	368,278	403,713
Total program service and contract revenue	$ 1,116,403	$ 1,946,210

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 support services expenses.

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

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

		2021		2020
In-kind contributions of goods	$	17,742	$	18,284
In-kind contributions of goods – Uhlhorn (discontinued)		-		224
Use of facilities		73,464		121,000
Total in-kind contributions	$	91,206	$	139,508

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. The estimated value of these services was $13,756 and $29,791 for the years ended June 30, 2021 and 2020, respectively.

11. Related Party Transactions

ShelterCare provides administrative, management, and maintenance services to DH, Incorporated; Afiya Apartments, Inc.; and River Kourt Apartments which are affiliated to some shared Board members. Additionally, ShelterCare has been authorized by the Board of Directors of the organizations to provide oversight for the properties and the management agent.

ShelterCare recognized revenue for the years ended June 30, 2021 and 2020 from DH, Incorporated of $2,475 and $12,450 respectively. The amount receivable from DH, Incorporated at June 30, 2021 and 2020, was $15,649 and $44,248 respectively.

ShelterCare recognized revenue for the years ended June 30, 2021 and 2020 from Afiya Apartments, Inc. of $6,746 and $5,800, respectively. As of June 30, 2021, and 2020, no amounts were due to ShelterCare for these services.

ShelterCare recognized revenue for the years ended June 30, 2021 and 2020 from River Kourt Apartments of $9,995 and $43,489, respectively. The amount receivable from River Kourt Apartments at June 30, 2020 and 2019 was $4,026 and $6,817, respectively.

ShelterCare also receives federal funds passed through from Homes For Good. The Executive Director of Homes for Good serves on the Board of Directors for ShelterCare. The total amount received for the years ended June 30, 2020 and 2019 was $98,471 and $118,309, respectively.

12. Concentrations

Deposit and custodial risk – ShelterCare and ShelterCare 499 Project maintain bank accounts at one financial institution. The accounts are insured up to certain limits by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC insurance limits were $451,865 and $1,381,167 at June 30, 2021 and 2020, respectively. Management believes ShelterCare is not exposed to any significant credit risk related to cash and cash equivalents.

12. Concentrations, continued

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

Receivables – Approximately 80 percent and 65 percent of ShelterCare's grants and contracts receivable were due from one and three agencies as of June 30, 2021 and 2020, respectively. The balance of program service receivables was comprised almost entirely of receivables from two agencies as of June 30, 2021 and 2020.

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 $42,012 and $46,807 for the years ended June 30, 2021 and 2020. As of June 30, 2021 and 2020, $10,056 and $10,718, 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, 2021 and 2020, ShelterCare did not make a contribution to the HRA.

15. Contingent Liabilities

The city of Eugene has stipulated that programs using CDBG 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, 2021 and 2020 $127,257 and $142,840, respectively, in improvements at ShelterCare Medical Recuperation Program facility provided by the city of Eugene have been included as net assets with donor restrictions.

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, Inc. As the guarantor, ShelterCare is contingently liable for the loan. ShelterCare is not required to repay the indebtedness unless Afiya Apartments, Inc. defaults on the loan, or if 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. Liquidity and Availability of Resources

ShelterCare has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, ShelterCare's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2021	2020
Cash and cash equivalents	$ 547,494	$ 1,499,678
Receivables:		
Grant and contract receivable, net	408,260	411,328
Program services receivable, net	62,374	69,104
Pledges receivable, current portion	5,000	5,000
	1,023,128	1,985,110
Less amounts with donor restrictions	(26,978)	(338,888)
Financial assets available for general expenditure	$ 996,150	$ 1,646,222

As noted in Note 4, ShelterCare has access to a line of credit that could be drawn on in the event additional liquid financial assets were needed for operations.

17. New Market Tax Credit Transaction Unwind

During the year ended June 30, 2014, ShelterCare, ShelterCare 499 Project, and ShelterCare Foundation entered into agreements with unrelated third parties to facilitate obtaining an allocation of new market tax credits for the improvements made to ShelterCare's administrative and program services building. As a result of that transaction, ShelterCare 499 Project entered into a loan agreement with Enhanced Capital New Market Development Fund XVII, LLC, an unrelated organization, for $3,840,000. Additionally, as part of the transaction, ShelterCare contributed $3,120,000 to ShelterCare Foundation. ShelterCare Foundation then lent those funds to Enhanced Capital Oregon NMTC Investment Fund IV, LLC, an unrelated organization. On March 24, 2020 WF Enhanced Capital Oregon NMTC Investment Fund, LLC exercised its put option which required ShelterCare to purchase the entire LLC interest in Enhanced Capital Oregon NMTC Investment Fund IV, LLC for $10,000. Enhanced Capital Oregon NMTC Investment Fund IV, LLC was the sole member of Enhanced Capital New Market Development Fund XVII, LLC. As a result of the assignment of member interest, ShelterCare became the holder of the note owed by ShelterCare 499 Project for $3,840,000 and ShelterCare became the holder of the note owed to ShelterCare Foundation for $3,120,000. ShelterCare forgave the loan for $3,840,000 owed by ShelterCare 499 Project and ShelterCare Foundation forgave the loan for $3,120,000 owed by ShelterCare. The net result of the dissolution of the new market tax credit transaction was net debt forgiveness of $710,000 which is recognized as contribution income in the consolidated statement of activities for the year ended June 30, 2020.

18. Discontinued Operations

Pursuant to a Board decision, ShelterCare ceased operations of the Garden Place program in August 2019. In March 2020, ShelterCare was required to halt operations of the Uhlhorn day services program due to a government shut-down order stemming from the COVID-19 coronavirus pandemic. The Board ultimately decided to discontinue the Uhlhorn Program permanently. The change in net assets from the operations for the Garden Place program and Uhlhorn program for the fiscal year ended June 30, 2020 is presented separately on the consolidated statement of activities.

19. Economic Uncertainties

As a result of the continuing COVID-19 coronavirus pandemic, during the year ended June 30, 2021 and the last quarter of the fiscal year ended June 30, 2020, ShelterCare was required to shift its mental health services to a telehealth format for a majority of its appointments. ShelterCare was also required to close the Uhlhorn day services program beginning March 16, 2020 and ultimately decided to discontinue the program (Note 18). ShelterCare received some additional grant funding due to the pandemic. A significant amount of federal, state and local funding was received during the year ended June 30, 2021 for rent relief programs. Additionally, ShelterCare was required to delay one of its major fundraising events and ultimately move the event to a virtual format during the year ended June 30, 2021. As of the date of the independent auditor’s report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic and the future financial impact and duration cannot be reasonably estimated.

20. Reclassification

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

SINGLE AUDIT INFORMATION

SHELTERCARE AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed-through Lane County, Oregon:			
CDBG - Entitlement Grants Cluster			
COVID-19 Community Development Block Grant	14.218	55558	$ 13,531
Passed-through Lane County, Oregon:			
COVID-19 Emergency Solutions Grant Program	14.231	55842	130,913
Passed-through Lane County, Oregon:			
Continuum of Care Program:	14.267		
Shankle Program		53418, 55931	328,586
McKenzie Rapid Rehousing		55576	233,140
Rapid Rehousing Cascades		55577	82,290
Camas Permanent Housing		55578	176,600
Sahalie Permanent Housing		55580	181,929
MLK		55354	173,415
Total passed-through Lane County, Oregon			1,175,960
Passed-through Homes For Good:			
Continuum of Care Program:			
Madrone	14.267		98,471
Total Continuum of Care Program			1,274,431
Total U.S. Department of Housing and Urban Development			1,418,875
U.S. Department of the Treasury			
Passed-through Lane County, Oregon:			
COVID-19 Coronavirus Relief Fund	21.019	55558	844,109
U.S. Department of Homeland Security			
Direct Award - Emergency Food and Shelter National Board Program	97.024	15042	27,175
Total federal award expenditures			$ 2,290,159

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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. The Schedule is not intended to and does not present the financial position, changes in net assets, or cash flows of ShelterCare.

2. Summary of Significant Accounting Policies

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

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

ShelterCare does not have any subrecipients.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
ShelterCare and Subsidiary
Eugene, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ShelterCare and subsidiary (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ShelterCare and subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ShelterCare and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of ShelterCare and subsidiary's internal control.

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

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

BEND 300 SW Columbia Street, Suite 201, Bend, OR 97702, phone (541) 382-3590, fax (541) 382-3587
EUGENE 260 Country Club Road, Suite 100, Eugene, OR 97401, phone (541) 687-2320, fax (541) 485-0960
HILLSBORO 5635 NE Elam Young Pkwy. Suite 100, Hillsboro, OR 97124, phone (503) 648-0521, fax (503) 648-2692

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ShelterCare and subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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 and subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones & Roth P.C.

Jones & Roth, P.C.
Eugene, Oregon
February 22, 2022

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

To the Board of Directors
ShelterCare and subsidiary
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited ShelterCare and subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ShelterCare and subsidiary's major federal programs for the year ended June 30, 2021. ShelterCare and subsidiary's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ShelterCare and subsidiary's major federal program 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ShelterCare and subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, ShelterCare and subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of ShelterCare and subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ShelterCare and subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ShelterCare and subsidiary's internal control over compliance.

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

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

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

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
February 22, 2022

Summary of Auditor's Results

- The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of ShelterCare.

- No significant deficiencies and no material weaknesses in internal controls were disclosed by the audit of the consolidated 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 internal control over compliance with major federal award programs. There are no reportable questioned costs.

- 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 program was:

  U.S. Department of the Treasury
  Coronavirus Relief Fund — Assistance Listing # 21.019

- The threshold for distinguishing between Type A and B programs was $750,000.

- ShelterCare qualified as a low-risk auditee.

Findings – Consolidated Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Prior Year Findings – Consolidated Financial Statements Audit

None.

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

Finding 2020-001

Federal Award Program: HUD Continuum of Care Program (Assistance Listing # 14.267)
Pass-through Agency: Lane County
Type of Finding: Significant deficiency in internal controls over compliance and instance of immaterial non-compliance
Compliance Requirement: Eligibility

Criteria: For the Continuum of Care Program, HUD requires tenant rent to be calculated pursuant to the formula prescribed in 24 CFR §578.77 which is reliant on the calculation of *adjusted income* pursuant to 24 CFR §5.611 which states tenants that meet the definition of elderly or disabled shall be provided a mandatory deduction of $400 annually in determining adjusted income. Additionally, HUD requires annual recertification of participant eligibility including verification of assets and income and recalculation of tenant rent and HUD subsidy.

Condition: We noted instances in which the tenant adjusted income calculation was missing the mandatory $400 deduction allotted for elderly and/or disabled families. We also noted instances in which the annual recertification was not completed within the HUD prescribed timeframe. Additionally, we noted one instance in which income for a new participant was not verified during initial entry into the program resulting in an improperly calculated tenant rent and HUD subsidy amounts.

2021 Follow-up: Resolved.

Finding 2020-002

Federal Award Program: HUD Continuum of Care Program (Assistance Listing # 14.267)
Pass-through Agency: Lane County
Type of Finding: Significant deficiency in internal controls over compliance
Compliance Requirement: Allowable costs

Criteria: The Uniform Guidance (2 CFR §200.430) states that costs of compensation are allowable to the extent they are reasonable for the services rendered and conform to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; and follow an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable. ShelterCare's written policies rely on the use of timesheets, *activity reports* (which document actual hours worked by program/grant) and an excel billing worksheet to charge time to federal grants.

Condition: We noted two instances in which the billing worksheet used to ultimately charge payroll costs to the grants included incorrect data.

2021 Follow-up: Resolved.