SHELTERCARE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2019 and 2018
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INTRODUCTORY SECTION
SHELTERCARE AND SUBSIDIARY
BOARD OF DIRECTORS
June 30, 2019

OFFICERS

President
Vice President
Secretary
Past President

Eric Van Houten
Jacob Fox
Melinda Grier
Rebekah Lambert

MEMBERS

Chris Cunningham
Dr. David DeHaas
Gerry Gaydos
Priscilla Gould
Chris Page
Sujata Sanghvi
Sandy Scheetz
Brad Smith
Dr. Tom Harburg
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, 2019 and 2018, 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.
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, 2019 and 2018, 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. The accompanying supplementary information, as listed in the table of contents, 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 27, 2020, 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.
Eugene, Oregon
January 27, 2020
CONSOLIDATED FINANCIAL STATEMENTS
## SHELTERCARE AND SUBSIDIARY
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
#### June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$619,365</td>
<td>$365,518</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts receivable, net of allowance of $730 for 2019 and $0- 2018</td>
<td>565,346</td>
<td>401,708</td>
</tr>
<tr>
<td>Program services receivable, net of allowance of $25,392 for 2019 and $42,617 for 2018</td>
<td>228,534</td>
<td>399,414</td>
</tr>
<tr>
<td>Capital Campaign pledges receivable, current portion</td>
<td>-</td>
<td>1,412</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>186,235</td>
<td>203,530</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>1,599,480</strong></td>
<td><strong>1,371,582</strong></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>4,044,737</strong></td>
<td><strong>4,274,673</strong></td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Campaign pledges receivable, net of current portion and net of allowance of $0- for 2019 and $88 for 2018</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Interest in net assets of ShelterCare Foundation</td>
<td><strong>3,944,737</strong></td>
<td><strong>3,930,490</strong></td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td><strong>3,944,737</strong></td>
<td><strong>3,930,740</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$9,588,954</strong></td>
<td><strong>$9,576,995</strong></td>
</tr>
</tbody>
</table>
### Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$74,153</td>
<td>$65,328</td>
</tr>
<tr>
<td>Payroll and related accruals</td>
<td>203,266</td>
<td>199,256</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>136,160</td>
<td>155,196</td>
</tr>
<tr>
<td>Client deposits payable</td>
<td>3,403</td>
<td>2,554</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>23,541</td>
<td>23,549</td>
</tr>
<tr>
<td>Line of credit</td>
<td>-</td>
<td>425,000</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>43,842</td>
<td>45,550</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>484,365</td>
<td>916,433</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, net of current portion and unamortized deferred financing costs</td>
<td>4,948,911</td>
<td>4,983,745</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,433,276</td>
<td>5,900,178</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets without donor restrictions</td>
<td>3,430,464</td>
<td>3,124,568</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>725,214</td>
<td>552,249</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>4,155,678</td>
<td>3,676,817</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 9,588,954</td>
<td>$ 9,576,995</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.
SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains, and other support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal assistance</td>
<td>$1,291,132</td>
<td>$</td>
</tr>
<tr>
<td>State and local assistance</td>
<td>2,169,292</td>
<td>-</td>
</tr>
<tr>
<td>United Way</td>
<td>50,742</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>765,029</td>
<td>570,000</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>131,502</td>
<td>-</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>3,686,908</td>
<td>-</td>
</tr>
<tr>
<td>Change in interest in net assets of ShelterCare Foundation</td>
<td>78,129</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>303</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>68,689</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>397,035</td>
<td>(397,035)</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>8,638,761</td>
<td>172,965</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeless services</td>
<td>4,468,209</td>
<td>-</td>
</tr>
<tr>
<td>Mental health services</td>
<td>2,081,868</td>
<td>-</td>
</tr>
<tr>
<td>Acquired brain injury services</td>
<td>325,569</td>
<td>-</td>
</tr>
<tr>
<td>Property management services</td>
<td>80,386</td>
<td>-</td>
</tr>
<tr>
<td>Total program services</td>
<td>6,956,032</td>
<td>-</td>
</tr>
<tr>
<td>Support services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,212,472</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>164,361</td>
<td>-</td>
</tr>
<tr>
<td>Total support services</td>
<td>1,376,833</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>8,332,865</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>305,896</td>
<td>172,965</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>3,124,568</td>
<td>552,249</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$3,430,464</td>
<td>$725,214</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.
### SHELTERCARE AND SUBSIDIARY
**CONSOLIDATED STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2018

The accompanying notes are an integral part of these consolidated statements.
SHELTERCARE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 478,861</td>
<td>$(105,644)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>255,987</td>
<td>247,483</td>
</tr>
<tr>
<td>Amortization of deferred financing fees</td>
<td>8,607</td>
<td>8,607</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>-</td>
<td>5,808</td>
</tr>
<tr>
<td>Noncash change in interest in ShelterCare Foundation</td>
<td>(78,129)</td>
<td>(96,366)</td>
</tr>
<tr>
<td>Capital Campaign contributions</td>
<td>(1,750)</td>
<td>(21,625)</td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>(163,638)</td>
<td>70,641</td>
</tr>
<tr>
<td>Program services receivable</td>
<td>170,880</td>
<td>168,105</td>
</tr>
<tr>
<td>Capital Campaign pledges receivable</td>
<td>1,662</td>
<td>20,544</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>17,295</td>
<td>(38,713)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>8,825</td>
<td>(592)</td>
</tr>
<tr>
<td>Advance payable</td>
<td>-</td>
<td>(201,000)</td>
</tr>
<tr>
<td>Payroll and related accruals</td>
<td>4,010</td>
<td>(18,379)</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>(19,036)</td>
<td>17,594</td>
</tr>
<tr>
<td>Client deposits payable</td>
<td>849</td>
<td>1,229</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>684,415</td>
<td>57,692</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(26,052)</td>
<td>(57,568)</td>
</tr>
<tr>
<td>Proceeds from interest in ShelterCare Foundation</td>
<td>63,882</td>
<td>62,200</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>37,830</td>
<td>4,632</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net proceeds from (payments on) line of credit</td>
<td>(425,000)</td>
<td>125,000</td>
</tr>
<tr>
<td>Proceeds from Capital Campaign contributions</td>
<td>1,750</td>
<td>21,625</td>
</tr>
<tr>
<td>Principal payments on long-term debt</td>
<td>(45,148)</td>
<td>(43,371)</td>
</tr>
<tr>
<td>Net cash provided (used) by financing activities</td>
<td>(468,398)</td>
<td>103,254</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>253,847</td>
<td>165,578</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>365,518</td>
<td>199,940</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 619,365</td>
<td>$ 365,518</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of cash flow information**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$ 134,845</td>
<td>$ 132,658</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of noncash investing and financing activities**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total increase in interest in ShelterCare Foundation</td>
<td>$ 14,247</td>
<td>$ 34,166</td>
</tr>
<tr>
<td>Less noncash change in interest in ShelterCare Foundation</td>
<td>(78,129)</td>
<td>(96,366)</td>
</tr>
<tr>
<td>Cash proceeds from interest in ShelterCare Foundation</td>
<td>$ (63,882)</td>
<td>$ (62,200)</td>
</tr>
</tbody>
</table>

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, 2019

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Homeless Services</th>
<th>Mental Health Services</th>
<th>Acquired Brain Injury Services</th>
<th>Property Management Services</th>
<th>Total Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>McKenzie Rapid Rehousing</td>
<td>$38,953</td>
<td>$16,035</td>
<td>$53,103</td>
<td>$47,345</td>
<td>$47,434</td>
</tr>
<tr>
<td>ShelterCare Supported Housing</td>
<td>$61,784</td>
<td>$28,408</td>
<td>$78,933</td>
<td>$97,564</td>
<td>$67,258</td>
</tr>
<tr>
<td>Garden Place Behavioral Health</td>
<td>$5,752</td>
<td>$2,037</td>
<td>$9,155</td>
<td>$3,614</td>
<td>$5,474</td>
</tr>
<tr>
<td>Ulhorn Program</td>
<td>$18,099</td>
<td>$6,741</td>
<td>$27,265</td>
<td>$16,127</td>
<td>$16,127</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>$185,421</td>
<td>$16,035</td>
<td>$213,466</td>
<td>$128,302</td>
<td>$30,538</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$20,716</td>
<td>$7,835</td>
<td>$28,552</td>
<td>$12,177</td>
<td>$22,369</td>
</tr>
<tr>
<td>Total functional expenses before depreciation</td>
<td>$1,418,484</td>
<td>$815,421</td>
<td>$2,134,868</td>
<td>$1,074,271</td>
<td>$917,507</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$40,037</td>
<td>$14,543</td>
<td>$44,856</td>
<td>$63,856</td>
<td>$26,234</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>$1,458,521</td>
<td>$829,964</td>
<td>$2,179,724</td>
<td>$1,138,127</td>
<td>$943,741</td>
</tr>
</tbody>
</table>

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, 2018

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Homeless Services</th>
<th>Mental Health Services</th>
<th>Acquired Brain Injury Services</th>
<th>Total Program Services</th>
<th>Support Services</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emergency Shelter,</td>
<td></td>
<td>Crisis Respite and Intensive</td>
<td></td>
<td>General and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPP, and Transitional Services</td>
<td></td>
<td>Residential Care</td>
<td></td>
<td>Administrative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Family Program</td>
<td>McKenzie Rapid Housing</td>
<td>ShelterCare Supported Housing</td>
<td>Garden Place Program</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>541,734</td>
<td>252,554</td>
<td>1,527,696</td>
<td>891,797</td>
<td>262,083</td>
<td>3,476,046</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>39,360</td>
<td>18,448</td>
<td>113,046</td>
<td>64,581</td>
<td>21,648</td>
<td>257,083</td>
</tr>
<tr>
<td>Health benefits</td>
<td>31,896</td>
<td>4,409</td>
<td>28,348</td>
<td>21,863</td>
<td>14,177</td>
<td>69,393</td>
</tr>
<tr>
<td>Retirement plan expense</td>
<td>1,008</td>
<td>1,284</td>
<td>8,417</td>
<td>2,070</td>
<td>1,155</td>
<td>13,934</td>
</tr>
<tr>
<td>Other fringe benefits</td>
<td>5,279</td>
<td>3,620</td>
<td>34,441</td>
<td>5,272</td>
<td>3,990</td>
<td>55,302</td>
</tr>
<tr>
<td>Client assistance</td>
<td>354,179</td>
<td>394,600</td>
<td>780,861</td>
<td>39,062</td>
<td>2,671</td>
<td>1,571,373</td>
</tr>
<tr>
<td>Rent</td>
<td>34,213</td>
<td>109,397</td>
<td>17,460</td>
<td>161,070</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>52,720</td>
<td>1,820</td>
<td>20,221</td>
<td>13,551</td>
<td>-</td>
<td>88,312</td>
</tr>
<tr>
<td>Telephone and cellular services</td>
<td>12,109</td>
<td>1,036</td>
<td>17,224</td>
<td>4,238</td>
<td>5,628</td>
<td>40,235</td>
</tr>
<tr>
<td>Fundraising events</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,482</td>
</tr>
<tr>
<td>Insurance</td>
<td>11,780</td>
<td>6,952</td>
<td>19,561</td>
<td>13,120</td>
<td>8,747</td>
<td>19,561</td>
</tr>
<tr>
<td>Medical and professional services</td>
<td>13,629</td>
<td>18,278</td>
<td>43,720</td>
<td>47,171</td>
<td>19,421</td>
<td>142,219</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>140,031</td>
<td>1,050</td>
<td>92,435</td>
<td>71,420</td>
<td>21,029</td>
<td>325,965</td>
</tr>
<tr>
<td>Supplies</td>
<td>59,898</td>
<td>6,435</td>
<td>58,969</td>
<td>40,091</td>
<td>18,197</td>
<td>183,590</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,098</td>
<td>1,374</td>
<td>18,074</td>
<td>7,360</td>
<td>544</td>
<td>29,450</td>
</tr>
<tr>
<td>Interest</td>
<td>8,145</td>
<td>8,768</td>
<td>46,106</td>
<td>31,938</td>
<td>2,609</td>
<td>97,566</td>
</tr>
<tr>
<td>Volunteer program expense</td>
<td>55</td>
<td>25</td>
<td>-</td>
<td>114</td>
<td>38</td>
<td>232</td>
</tr>
<tr>
<td>Recruiting</td>
<td>436</td>
<td>16</td>
<td>476</td>
<td>630</td>
<td>72</td>
<td>1,630</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposition</td>
<td>-</td>
<td>-</td>
<td>5,808</td>
<td>-</td>
<td>-</td>
<td>5,808</td>
</tr>
<tr>
<td><strong>Total functional expenses before depreciation</strong></td>
<td>1,320,529</td>
<td>751,252</td>
<td>3,123,304</td>
<td>1,368,160</td>
<td>429,381</td>
<td>6,992,626</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>37,883</td>
<td>13,603</td>
<td>92,435</td>
<td>71,420</td>
<td>5,780</td>
<td>325,965</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>$1,358,412</td>
<td>$764,855</td>
<td>$3,194,514</td>
<td>$1,434,692</td>
<td>$435,161</td>
<td>$7,187,634</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.
1. **Summary of Significant Accounting Policies**

   **Nature of Organization**

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

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

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

   **Acquired Brain Injury Services**: Services include supported housing and other services for individuals with an acquired brain injury. Supported housing provided through the Uhlhorn Program at two facilities (Uhlhorn Apartments and River Kourt Apartments) in Eugene. Uhlhorn Day Center offers people with Dementia, brain injury, and other cognitive disabilities with the opportunity to socialize and enjoy activities in a safe environment.

   **Property Management Services**: Services include providing property management services for supported housing programs in Eugene.

   **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.

   **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.
1. Summary of Significant Accounting Policies, continued

Recent Accounting Standard Adopted

During the year ended June 30, 2019, ShelterCare adopted the provisions of the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-14: Presentation of Financial Statements of Not-for-Profit Entities. The standard was applied on a retrospective basis with no impact to total net assets with or without donor restrictions. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources.

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.

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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings and checking accounts</td>
<td>$378,397</td>
<td>$246,395</td>
</tr>
<tr>
<td>Money market funds</td>
<td>240,525</td>
<td>118,726</td>
</tr>
<tr>
<td>Petty cash</td>
<td>443</td>
<td>397</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>$619,365</strong></td>
<td><strong>$365,518</strong></td>
</tr>
</tbody>
</table>

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.
1. **Summary of Significant Accounting Policies**, continued

**Receivables**, continued

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. 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**

Under generally accepted accounting principles, 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. 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.

**Revenues and Other Support**

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

**Functional Allocation of Expenses**

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

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.
1. **Summary of Significant Accounting Policies, continued**

**Fair Value Measurements, continued**

As of June 30, 2019 and 2018, the fair value of ShelterCare’s interest in the net assets of ShelterCare Foundation was $3,944,737 and $3,930,490, 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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$874,436</td>
<td>$874,436</td>
</tr>
<tr>
<td>Building</td>
<td>4,602,625</td>
<td>4,602,625</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>251,371</td>
<td>251,371</td>
</tr>
<tr>
<td>Equipment and furnishings</td>
<td>246,978</td>
<td>249,487</td>
</tr>
<tr>
<td>Other property</td>
<td>410,479</td>
<td>450,509</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,789</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>6,388,678</td>
<td>6,428,428</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(2,343,941)</td>
<td>(2,153,755)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$4,044,737</td>
<td>$4,274,673</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended June 30, 2019 and 2018, was $255,987 and $247,483, respectively.
3. Interest in Net Assets of ShelterCare Foundation

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

For the years ended June 30, 2019 and 2018, the change in the fair value of ShelterCare’s interest in the net assets of ShelterCare Foundation was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$3,930,490</td>
<td>$3,896,324</td>
</tr>
<tr>
<td>Change in fair market value</td>
<td>48,162</td>
<td>66,727</td>
</tr>
<tr>
<td>Interest and dividend reinvested</td>
<td>5,946</td>
<td>6,407</td>
</tr>
<tr>
<td>Interest income from notes receivable</td>
<td>31,200</td>
<td>31,200</td>
</tr>
<tr>
<td>Endowment contributions</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Distributions to ShelterCare</td>
<td>(63,882)</td>
<td>(62,200)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(7,189)</td>
<td>(7,968)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$3,944,737</td>
<td>$3,930,490</td>
</tr>
</tbody>
</table>

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 1.5 percentage points over the bank’s prime, with an interest rate floor of 5.5 percent for the terms ended June 30, 2019 and 2018. The interest rate on the line of credit was 7.00 percent and 6.50 percent as of June 30, 2019 and 2018, respectively. The balance on the line of credit at June 30, 2019 and 2018, was $0 and $425,000, respectively. Interest expense paid on the line of credit for the years ended June 30, 2019 and 2018, was $17,225 and $13,570, respectively. The line of credit was last renewed January 2019 and the new maturity date is February 15, 2020.
5. Long-term Debt

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

<table>
<thead>
<tr>
<th>Note Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable to Columbia Bank, secured by investment in real estate. The note agreement calls for monthly payments of $9,690, including interest at 5.21% commencing October 1, 2011. The note requires a balloon payment for the full amount due on September 1, 2021.</td>
<td>$1,314,714</td>
<td>$1,359,862</td>
</tr>
<tr>
<td>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.</td>
<td>3,840,000</td>
<td>3,840,000</td>
</tr>
<tr>
<td>Unamortized deferred financing costs</td>
<td>5,154,714</td>
<td>5,199,862</td>
</tr>
<tr>
<td>Current portion</td>
<td>(161,961)</td>
<td>(170,567)</td>
</tr>
<tr>
<td>Long-term debt, net of current portion and unamortized deferred financing costs</td>
<td>$4,948,911</td>
<td>$4,983,745</td>
</tr>
</tbody>
</table>

Total interest expense for these notes for the years ended June 30, 2019 and 2018, was $143,444 and $141,265, respectively, of which $8,607 was amortization of the deferred financing fees.

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

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$43,842</td>
</tr>
<tr>
<td>2021</td>
<td>50,604</td>
</tr>
<tr>
<td>2022</td>
<td>1,366,055</td>
</tr>
<tr>
<td>2023</td>
<td>147,669</td>
</tr>
<tr>
<td>2024</td>
<td>149,446</td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,397,098</td>
</tr>
<tr>
<td>Total</td>
<td>$5,154,714</td>
</tr>
</tbody>
</table>

6. Description of Leasing Arrangements

ShelterCare has several month-to-month leases for facilities and programs that continue until cancelled by either party. ShelterCare also receives donated use of facilities for its Supported Housing programs with a value of $121,000. Additionally, ShelterCare has one long-term lease that requires monthly payments of $1,516 which expires August 30, 2021. Total rent expense for the years ended June 30, 2019 and 2018, was $168,522 and $161,070, respectively, which includes $121,000 for in-kind use of facilities.
7. **Net Assets With Donor Restrictions**

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG grant for Shankle Program kitchen remodel</td>
<td>-</td>
<td>$3,500</td>
</tr>
<tr>
<td>CDBG grant restricted to improvements at ShelterCare Medical Recuperation (formerly Royal Avenue Shelter)</td>
<td>-</td>
<td>$24,942</td>
</tr>
<tr>
<td>HOME grant restricted to Garden kitchen remodel</td>
<td>$26,600</td>
<td>$53,200</td>
</tr>
<tr>
<td>Contributions restricted for 499 building remodel</td>
<td>-</td>
<td>$1,750</td>
</tr>
<tr>
<td>Support restricted to the Homeless Prevention Program</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>Support restricted to the Transitional Housing Project</td>
<td>$450,000</td>
<td>$295,468</td>
</tr>
<tr>
<td>Support restricted to Eviction Intervention Program</td>
<td>$128,614</td>
<td>$171,596</td>
</tr>
<tr>
<td>Support restricted to specific programs or activities</td>
<td>$20,000</td>
<td>$1,793</td>
</tr>
<tr>
<td><strong>Total net assets with donor restrictions</strong></td>
<td>$725,214</td>
<td>$552,249</td>
</tr>
</tbody>
</table>

8. **Program Service Revenue**

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid – Title XIX</td>
<td>$1,759,843</td>
<td>$2,079,250</td>
</tr>
<tr>
<td>Fees and contracts from government agencies</td>
<td>$735,924</td>
<td>$866,778</td>
</tr>
<tr>
<td>Acquired brain injury</td>
<td>$137,667</td>
<td>$351,296</td>
</tr>
<tr>
<td>Homeless medical respite</td>
<td>$620,579</td>
<td>$481,761</td>
</tr>
<tr>
<td>Rent, program, and other fees</td>
<td>$432,895</td>
<td>$332,395</td>
</tr>
<tr>
<td><strong>Total program service revenue</strong></td>
<td>$3,686,908</td>
<td>$4,111,480</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-kind contributions of goods</td>
<td>$10,063</td>
<td>$22,762</td>
</tr>
<tr>
<td>Professional services</td>
<td>$439</td>
<td>-</td>
</tr>
<tr>
<td>Use of facilities</td>
<td>$121,000</td>
<td>$121,000</td>
</tr>
<tr>
<td><strong>Total in-kind contributions</strong></td>
<td>$131,502</td>
<td>$143,762</td>
</tr>
</tbody>
</table>

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 $32,417 and $26,992 for the years ended June 30, 2019 and 2018, respectively.
10. Related Party Transactions

ShelterCare provides administrative, management and maintenance services to DH, Incorporated, Afiya Apartments, Inc., and River Kourt Apartments and served as management agent for the organizations until December 31, 2018.

For the years ended June 30, the amounts of revenue recognized by ShelterCare for services provided are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>DH, Incorporated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>$4,377</td>
<td>$10,768</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>$18,069</td>
<td>$25,269</td>
</tr>
<tr>
<td>Maintenance fees</td>
<td>$34,459</td>
<td>$11,209</td>
</tr>
<tr>
<td><strong>Total DH, Incorporated</strong></td>
<td>$56,905</td>
<td>$47,246</td>
</tr>
<tr>
<td>Afiya Apartments, Inc.:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>$6,655</td>
<td>$10,372</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>$8,070</td>
<td>$8,054</td>
</tr>
<tr>
<td>Maintenance fees</td>
<td>$6,000</td>
<td>$16,800</td>
</tr>
<tr>
<td><strong>Total Afiya Apartments, Inc.</strong></td>
<td>$20,725</td>
<td>$35,226</td>
</tr>
<tr>
<td>River Kourt Apartments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>$3,271</td>
<td>-</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>$8,123</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance fees</td>
<td>$24,885</td>
<td>$2,187</td>
</tr>
<tr>
<td><strong>Total River Kourt Apartments</strong></td>
<td>$36,279</td>
<td>$2,187</td>
</tr>
<tr>
<td><strong>Total related party service revenue</strong></td>
<td>$113,909</td>
<td>$84,659</td>
</tr>
</tbody>
</table>

ShelterCare also paid DH, Incorporated rent of $1,809 and $17,460 for the years ended June 30, 2019 and 2018, respectively. The amount receivable from DH, Incorporated at June 30, 2019 and 2018, was $38,207 and $8,707 respectively. The amount receivable from Afiya Apartments, Inc. at June 30, 2019 and 2018, was $2,172 and $9,395, respectively. The amount receivable from River Kourt Apartments at June 30, 2019 and 2018 was $33,941 and $0, 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, 2019 and 2018 was $103,674 and $126,398, respectively.
11. Concentrations

Custodial 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 $326,535 and $59,022 at June 30, 2019 and 2018, respectively. Management believes ShelterCare is not exposed to any significant credit risk related to cash and cash equivalents.

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

Receivables – Approximately 71 percent and 63 percent of ShelterCare’s grants and contracts receivable were due from three and two agencies as of June 30, 2019 and 2018, respectively. The balance of program service receivables was comprised almost entirely of receivables from two agencies as of June 30, 2019 and 2018.

12. Retirement Plan

ShelterCare adopted a Simplified Employee Pension/IRA plan on April 1, 1999, which covers all employees who have been employed by ShelterCare a minimum of two years and were employed at least three of the preceding five years. Contributions to the plan were $40,216 and $43,340 for the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, $10,024 and $10,990, respectively, was payable. Contributions to the retirement plan are discretionary, and the amount of future contributions will be determined annually by the Board of Directors.

13. Healthcare Reimbursement Arrangement

Effective December 1, 2007, ShelterCare established a health reimbursement arrangement plan (HRA) to provide eligible employees with certain tax-free medical reimbursement benefits. The employer-funded HRA is funded through the operational budget of ShelterCare and therefore may be fully funded, unfunded, modified, or terminated on an annual basis as determined by ShelterCare. Eligible employees have an account balance which is funded by employer contributions. The account balance decreases for benefit payments and administrative fees. Forfeited account balances can be used to provide HRA benefits to eligible new participants. During the years ended June 30, 2019 and 2018, ShelterCare did not make a contribution to the HRA.

14. Contingent Liabilities

ShelterCare is contingently liable for a Community Development Block Grant (CDBG) received in the amount of $35,000 from the city of Springfield during the fiscal year ended June 30, 2009 that was used to assist with the renovation of the Shankle Program kitchen in Glenwood. The project was completed during the fiscal year ended June 30, 2009. If ShelterCare discontinues using the kitchen for its programs prior to 10 years from the date of completion of the kitchen remodel, ShelterCare agrees to pay the city of Springfield the percentage of the grant funds equal to the percentage of time remaining until the expiration of the 10-year period. At June 30, 2019 and 2018, $0- and $3,500, respectively, in improvements funded by CDBG from the city of Springfield have been included in net assets with donor restrictions.
14. Contingent Liabilities, continued

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, 2019 and 2018, $0- and $24,942, respectively, in improvements at ShelterCare Medical Recuperation funded by CDBG and HOME have been included as net assets with donor restrictions. As of June 30, 2019 and 2018, $26,600 and $53,200, respectively, in improvements at Garden Place kitchen remodel funded by CDBG and HOME 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.

15. 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, 2019, ShelterCare’s financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$619,365</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
</tr>
<tr>
<td>Grant and contract receivable, net</td>
<td>$565,346</td>
</tr>
<tr>
<td>Program services receivable, net</td>
<td>$228,534</td>
</tr>
<tr>
<td></td>
<td>$1,413,245</td>
</tr>
<tr>
<td>Less amounts with donor restrictions</td>
<td>(300,000)</td>
</tr>
<tr>
<td></td>
<td>$1,113,245</td>
</tr>
</tbody>
</table>

As noted in Note 4, ShelterCare has access to a line of credit up to $750,000 that could be drawn on in the event additional liquid financial assets were needed for operations.

16. 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.
SUPPLEMENTARY INFORMATION
## SHELTERCARE AND SUBSIDIARY
### CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
#### June 30, 2019

<table>
<thead>
<tr>
<th>Assets</th>
<th>ShelterCare</th>
<th>499 Project</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 550,186</td>
<td>$ 69,179</td>
<td>-</td>
<td>$ 619,365</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant and contracts receivable, net of allowance of $730 for 2019</td>
<td>565,346</td>
<td>-</td>
<td>-</td>
<td>565,346</td>
</tr>
<tr>
<td>Program services receivable, net of allowance of $25,392 for 2019</td>
<td>228,534</td>
<td>-</td>
<td>-</td>
<td>228,534</td>
</tr>
<tr>
<td>Prepaid ground lease, current portion</td>
<td>-</td>
<td>21,667</td>
<td>(21,667)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>186,235</td>
<td>-</td>
<td>-</td>
<td>186,235</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,530,301</td>
<td>90,846</td>
<td>(21,667)</td>
<td>1,599,480</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>2,273,728</td>
<td>1,771,009</td>
<td>-</td>
<td>4,044,737</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from related organization</td>
<td>797,491</td>
<td>-</td>
<td>(797,491)</td>
<td>-</td>
</tr>
<tr>
<td>Sublease receivable, related organization</td>
<td>-</td>
<td>476,729</td>
<td>(476,729)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid ground lease</td>
<td>-</td>
<td>1,173,611</td>
<td>(1,173,611)</td>
<td>-</td>
</tr>
<tr>
<td>Interest in net assets of ShelterCare Foundation</td>
<td>3,944,737</td>
<td>-</td>
<td>-</td>
<td>3,944,737</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>4,742,228</td>
<td>1,650,340</td>
<td>(2,447,831)</td>
<td>3,944,737</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 8,546,257</td>
<td>$ 3,512,195</td>
<td>(2,469,498)</td>
<td>$ 9,588,954</td>
</tr>
<tr>
<td>Liabilities and Net Assets</td>
<td>ShelterCare</td>
<td>499 Project</td>
<td>Eliminations</td>
<td>Consolidated</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$74,153</td>
<td>$-</td>
<td>-$</td>
<td>$74,153</td>
</tr>
<tr>
<td>Payroll and related accruals</td>
<td>203,266</td>
<td>-</td>
<td>-</td>
<td>203,266</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>136,160</td>
<td>-</td>
<td>-</td>
<td>136,160</td>
</tr>
<tr>
<td>Client deposits payable</td>
<td>3,403</td>
<td>-</td>
<td>-</td>
<td>3,403</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>-</td>
<td>23,541</td>
<td>-</td>
<td>23,541</td>
</tr>
<tr>
<td>Deferred revenue, current portion</td>
<td>21,667</td>
<td>-</td>
<td>(21,667)</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>43,842</td>
<td>-</td>
<td>-</td>
<td>43,842</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>482,491</td>
<td>23,541</td>
<td>(21,667)</td>
<td>484,365</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to related organization</td>
<td>-</td>
<td>797,491</td>
<td>(797,491)</td>
<td>-</td>
</tr>
<tr>
<td>Lease payable, related organization</td>
<td>476,729</td>
<td>-</td>
<td>(476,729)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,173,611</td>
<td>-</td>
<td>(1,173,611)</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt, net of current portion and unamortized deferred financing costs</td>
<td>1,266,377</td>
<td>3,682,534</td>
<td>-</td>
<td>4,948,911</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>2,916,717</td>
<td>4,480,025</td>
<td>(2,447,831)</td>
<td>4,948,911</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,399,208</td>
<td>4,503,566</td>
<td>(2,469,498)</td>
<td>5,433,276</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net assets (deficit)</td>
<td>5,147,049</td>
<td>(991,371)</td>
<td>-</td>
<td>4,155,678</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$8,546,257</td>
<td>$3,512,195</td>
<td>(2,469,498)</td>
<td>$9,588,954</td>
</tr>
</tbody>
</table>

- 23 -
## SHELTERCARE AND SUBSIDIARY
### CONSOLIDATING SCHEDULE OF ACTIVITIES
### For the Year Ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>ShelterCare</th>
<th>499 Project</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues, gains, and other support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal assistance</td>
<td>$1,291,132</td>
<td>$-</td>
<td>$-</td>
<td>$1,291,132</td>
</tr>
<tr>
<td>State and local assistance</td>
<td>2,169,292</td>
<td>-</td>
<td>-</td>
<td>2,169,292</td>
</tr>
<tr>
<td>United Way</td>
<td>50,742</td>
<td>-</td>
<td>-</td>
<td>50,742</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>1,335,029</td>
<td>-</td>
<td>-</td>
<td>1,335,029</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>131,502</td>
<td>-</td>
<td>-</td>
<td>131,502</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>3,686,908</td>
<td>-</td>
<td>-</td>
<td>3,686,908</td>
</tr>
<tr>
<td>Change in interest in net assets of ShelterCare Foundation</td>
<td>78,129</td>
<td>-</td>
<td>-</td>
<td>78,129</td>
</tr>
<tr>
<td>Interest income</td>
<td>303</td>
<td>-</td>
<td>-</td>
<td>303</td>
</tr>
<tr>
<td>Other income</td>
<td>68,689</td>
<td>-</td>
<td>-</td>
<td>68,689</td>
</tr>
<tr>
<td>Rent income</td>
<td>165,389</td>
<td>210,874</td>
<td>(376,263)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>8,977,115</td>
<td>210,874</td>
<td>(376,263)</td>
<td>8,811,726</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>8,366,927</td>
<td>342,201</td>
<td>(376,263)</td>
<td>8,332,865</td>
</tr>
<tr>
<td><strong>Change in net assets (deficit)</strong></td>
<td>610,188</td>
<td>(131,327)</td>
<td>-</td>
<td>478,861</td>
</tr>
<tr>
<td>Net assets (deficit), beginning of year</td>
<td>4,536,861</td>
<td>(860,044)</td>
<td>-</td>
<td>3,676,817</td>
</tr>
<tr>
<td>Net assets (deficit), end of year</td>
<td>$5,147,049</td>
<td>$(991,371)</td>
<td>-</td>
<td>$4,155,678</td>
</tr>
</tbody>
</table>
SINGLE AUDIT INFORMATION
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>CFDA Number</th>
<th>Federal or Pass-through Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-through Lane County, Oregon:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuum of Care Program:</td>
<td>14.267</td>
<td>53418</td>
<td>$525,994</td>
</tr>
<tr>
<td>Shankle Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>McKenzie Rapid Rehousing</td>
<td>14.267</td>
<td>53412</td>
<td>208,873</td>
</tr>
<tr>
<td>Rapid Rehousing Cascades</td>
<td>14.267</td>
<td>53415</td>
<td>83,966</td>
</tr>
<tr>
<td>Camas Permanent Housing</td>
<td>14.267</td>
<td>53419</td>
<td>167,621</td>
</tr>
<tr>
<td>Sahalie Permanent Housing</td>
<td>14.267</td>
<td>53848</td>
<td>116,427</td>
</tr>
<tr>
<td>Total passed-through Lane County, Oregon</td>
<td></td>
<td></td>
<td>1,102,881</td>
</tr>
<tr>
<td>Passed-through Homes For Good:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuum of Care Program:</td>
<td>14.267</td>
<td>53418</td>
<td>103,674</td>
</tr>
<tr>
<td>Madrone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Continuum of Care Program</td>
<td></td>
<td></td>
<td>1,206,555</td>
</tr>
<tr>
<td>Passed-through Catholic Community Services of Lane County:</td>
<td>14.231</td>
<td>53442/53443</td>
<td>77,107</td>
</tr>
<tr>
<td>Emergency Solutions Grant Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
<td>1,283,662</td>
</tr>
<tr>
<td>U.S. Department of Homeland Security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Award - Emergency Food and Shelter</td>
<td>97.024</td>
<td>15042</td>
<td>7,470</td>
</tr>
<tr>
<td>National Board Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total federal award expenditures</td>
<td></td>
<td></td>
<td>$1,291,132</td>
</tr>
</tbody>
</table>
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, 2019. 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, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

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

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

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

As part of obtaining reasonable assurance about whether ShelterCare and subsidiary’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.
Eugene, Oregon
January 27, 2020
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, 2019. ShelterCare and subsidiary’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of ShelterCare and subsidiary’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 each of its major federal programs for the year ended June 30, 2019.
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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, that we consider to be a significant deficiency.

ShelterCare’s response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

Jones & Roth, P.C.
Eugene, Oregon
January 27, 2020
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, 2019.
- 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.
- One significant deficiency related to internal control over compliance and no material weaknesses were disclosed during the audit of the major federal award programs. There are no 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.
- Audit findings that are required to be reported in accordance with Uniform Guidance are reported in this schedule.
- The program tested as a major program was:
  
  U.S. Department of Housing and Urban Development  
  Continuum of Care Program  
  CFDA Number 14.267

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

Findings – Consolidated Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2019-001

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

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

Finding 2019-001, continued

Condition: During our audit procedures we noted two instances in which the tenant adjusted income calculation was missing the mandatory $400 deduction allotted for elderly and/or disabled families.

Cause of Condition: The rent calculation worksheet used to calculate adjusted income and the tenant’s portion of rent was not completed correctly.

Effect of Condition: By excluding the mandatory deduction in determining adjusted income, the tenant’s portion of rent was calculated to be higher than it should have been as prescribed by HUD.

Questioned Costs: None.

Context: We found two instances in our sample of 15 tenant files in which the tenant was eligible to receive the mandatory deduction of $400, but the deduction was not included in the determination of adjusted income and the tenant’s portion of rent. The sample was not a statistically valid sample.

Repeat Finding: No.

Recommendation: We recommend the program managers review all of the program files to ensure that all eligible individuals have been provided the mandatory deduction in determination of adjusted income and the tenant’s portion of rent. We also suggest management provide additional training to the program managers and also review the worksheet used to calculate adjusted income and ensure it is apparent to users of the worksheet when the deduction should be included in the calculation.

View of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.
Prior Year Findings – Consolidated Financial Statements Audit

None.

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

None.
Management’s Response and Planned Corrective Actions:
Program managers will review all program files to ensure that all eligible individuals have been provided the mandatory deduction in determination of adjusted income and the tenant’s portion of rent. Staff training has been completed on annual assessments and direction in how to ensure using this deduction when appropriate was discussed and will be covered in future training as well.

1. The name of the contact person(s) responsible for the corrective action
   a. Kathleen Broadhurst, Finance Director
2. The corrective action planned
   a. See above comments
3. The anticipated completion date
   a. Changes were put into place in November of 2019. An official Policy & Procedure will be written by the end of December 2019 to reflect these changes.