

SHELTER HOUSE, INC. AND SUBSIDIARY

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022

Shelter House, Inc. and Subsidiary

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Independent Auditor's Report

Board of Directors
Shelter House, Inc. and Subsidiary
Reston, Virginia

Opinion

We have audited the accompanying consolidated financial statements of **Shelter House, Inc. and Subsidiary** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of June 30, 2023 and 2022, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Shelter House, Inc. and Subsidiary** as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Shelter House, Inc. and Subsidiary** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Independent Auditor's Report (Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Shelter House, Inc. and Subsidiary's** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Shelter House, Inc. and Subsidiary's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Shelter House, Inc. and Subsidiary's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

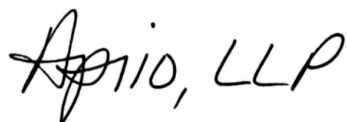
Independent Auditor's Report (Continued)

Supplementary Information

Our audit was 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 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 audit 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 Schedule of Expenditures of Federal Awards 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 June 27, 2024 on our consideration of **Shelter House, Inc. 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 solely 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 the effectiveness of **Shelter House, Inc. and Subsidiary's** 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 **Shelter House, Inc. and Subsidiary's** internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter of "Aprio" being a large, cursive 'A'.

Rockville, Maryland

June 27, 2024

Shelter House, Inc. and Subsidiary

Consolidated Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 980,120	\$ 1,850,280
Investments	165,719	153,093
Accounts receivable	4,056,731	3,140,893
Pledges receivable	132,500	12,000
Prepaid expenses and other assets	267,950	174,741
Total current assets	5,603,020	5,331,007
Other assets		
Pledges receivable, net of current portion and discount	108,844	-
Right-of-use asset - operating lease	214,549	-
Total other assets	323,393	-
Property and equipment		
Land	488,094	488,094
Buildings and improvements	1,737,830	1,737,830
Leasehold improvements	267,600	267,600
Furniture and equipment	278,237	266,242
Total property and equipment	2,771,761	2,759,766
Less: Accumulated depreciation and amortization	(925,348)	(841,753)
Property and equipment, net	1,846,413	1,918,013
Total assets	\$ 7,772,826	\$ 7,249,020

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statements of Financial Position

	2023	2022
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 715,913	\$ 1,138,665
Advances from other parties	519,927	9,016
Lease liability-operating, current	96,378	-
Client rent deposits	1,050	1,050
Total current liabilities	1,333,268	1,148,731
Long-term liabilities		
Note payable	203,000	203,000
Lease liability- operating, net of current	157,135	-
Total long-term liabilities	360,135	203,000
Total liabilities	1,693,403	1,351,731
Net assets		
Without donor restrictions		
Undesignated	3,859,051	4,149,549
Board designated reserve fund	1,444,183	1,403,464
With donor restrictions	776,189	344,276
Total net assets	6,079,423	5,897,289
Total liabilities and net assets	\$ 7,772,826	\$ 7,249,020

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	2023 Total
Support and revenue			
Contributions			
Government agencies	\$ 12,756,977	\$ -	\$ 12,756,977
Donated facilities, materials and services	2,036,141	-	2,036,141
Contributions	18,560	726,000	744,560
Grant income	261,943	598,901	860,844
Fundraising income, net of direct benefits to donors of \$38,360	203,948	-	203,948
Rental income	93,289	-	93,289
Miscellaneous income	106,278	-	106,278
Gain on investments	12,626	-	12,626
Interest income	13,968	-	13,968
Net assets released from restrictions	892,988	(892,988)	-
Total support and revenue	16,396,718	431,913	16,828,631
Expenses			
Program services:			
Shelter	2,812,758	-	2,812,758
Shelter- Domestic Violence	3,362,860	-	3,362,860
Rapid and Preventative Housing	4,300,927	-	4,300,927
Housing services	936,079	-	936,079
COVID-19 programming	1,540,183	-	1,540,183
Family Pass	281,725	-	281,725
Loudoun County	1,618,360	-	1,618,360
Total program services	14,852,892	-	14,852,892
Supporting activities:			
Management and general	1,276,065	-	1,276,065
Fundraising	517,540	-	517,540
Total supporting activities	1,793,605	-	1,793,605
Total expenses	16,646,497	-	16,646,497
Change in net assets	(249,779)	431,913	182,134
Net assets, beginning of year	5,553,013	344,276	5,897,289
Net assets, end of year	\$ 5,303,234	\$ 776,189	\$ 6,079,423

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total
Support and revenue			
Contributions			
Government agencies	\$ 16,387,305	\$ -	\$ 16,387,305
Donated facilities, materials and services	10,979,028	-	10,979,028
Contributions	1,408,148	90,609	1,498,757
Grant income	-	187,000	187,000
Rental income	107,896	-	107,896
Miscellaneous income	120,019	-	120,019
Interest income	350	-	350
Net assets released from restrictions	570,771	(570,771)	-
Total support and revenue	29,573,517	(293,162)	29,280,355
Expenses			
Program services:			
Shelter	2,751,259	-	2,751,259
Shelter- Domestic Violence	3,746,483	-	3,746,483
Rapid and Preventative Housing	3,788,796	-	3,788,796
Housing services	945,354	-	945,354
COVID-19 programming	15,797,550	-	15,797,550
Loudoun County	372,355	-	372,355
Total program services	27,401,797	-	27,401,797
Supporting activities:			
Management and general	1,148,351	-	1,148,351
Fundraising	377,954	-	377,954
Total supporting activities	1,526,305	-	1,526,305
Total expenses	28,928,102	-	28,928,102
Change in net assets	645,415	(293,162)	352,253
Net assets, beginning of year	4,907,598	637,438	5,545,036
Net assets, end of year	\$ 5,553,013	\$ 344,276	\$ 5,897,289

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

<i>For the Year Ended June 30, 2023</i>	Program Services	Management and General	Fundraising	2023 Total
Payroll expenses				
Salaries	\$ 5,329,377	\$ 940,610	\$ 358,606	\$ 6,628,593
Employee benefits	644,719	122,830	55,772	823,321
Payroll taxes	388,050	66,895	26,677	481,622
Total payroll expenses	6,362,146	1,130,335	441,055	7,933,536
Other operating expenses				
Donated rent and space	1,542,456	-	-	1,542,456
Rental assistance	2,245,585	-	-	2,245,585
Leasing expenses	526,303	-	-	526,303
Direct assistance	2,582,203	-	-	2,582,203
Fundraising	-	-	48,341	48,341
Meals	193,592	-	-	193,592
Insurance	108,852	19,526	7,789	136,167
Professional fees	224,814	74,379	-	299,193
Client transportation	257,397	-	-	257,397
Offsite	67,501	-	-	67,501
Staff training and travel	107,452	14,843	5,921	128,216
Maintenance	318,218	-	-	318,218
Office supplies	59,927	10,750	4,288	74,965
Linens and housekeeping	17,522	-	-	17,522
Miscellaneous	35,907	7,235	2,568	45,710
Rental expense	110,407	17,380	6,933	134,720
Printing and postage	9,016	1,617	645	11,278
Depreciation and amortization	83,594	-	-	83,594
Total other operating expenses	8,490,746	145,730	76,485	8,712,961
Total expenses	\$ 14,852,892	\$ 1,276,065	\$ 517,540	\$ 16,646,497

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

<i>For the Year Ended June 30, 2022</i>	Program Services	Management and General	Fundraising	2022 Total
Payroll expenses				
Salaries	\$ 6,354,385	\$ 875,181	\$ 251,634	\$ 7,481,200
Employee benefits	819,769	114,740	41,473	975,982
Payroll taxes	467,850	57,382	18,606	543,838
Total payroll expenses	7,642,004	1,047,303	311,713	9,001,020
Other operating expenses				
Donated rent and space	6,587,440	-	-	6,587,440
Rental assistance	5,435,156	-	-	5,435,156
Leasing expenses	540,010	-	-	540,010
Direct assistance	1,869,769	-	-	1,869,769
Fundraising		-	50,851	50,851
Meals	4,247,107	-	-	4,247,107
Insurance	129,221	16,876	5,025	151,122
Professional fees	91,968	49,942	3,308	145,218
Client transportation	156,713	-	-	156,713
Offsite	34,649	-	-	34,649
Staff training and travel	57,329	5,156	1,535	64,020
Maintenance	299,818	-	-	299,818
Office supplies	51,097	6,910	2,058	60,065
Linens and housekeeping	26,012	-	-	26,012
Miscellaneous	41,008	8,376	1,671	51,055
Rental expense	110,902	12,921	1,535	125,358
Printing and postage	6,335	867	258	7,460
Depreciation and amortization	75,259	-	-	75,259
Total other operating expenses	19,759,793	101,048	66,241	19,927,082
Total expenses	\$ 27,401,797	\$ 1,148,351	\$ 377,954	\$ 28,928,102

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Consolidated Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 182,134	\$ 352,253
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	83,594	75,259
Gain on investments	(12,626)	-
Donated investments	-	(153,093)
Decrease (increase) in:		
Accounts receivable	(915,838)	165,037
Pledges receivable, net of discount	(229,344)	7,500
Prepaid expenses and other assets	(93,209)	(102,724)
Right-of-use asset - operating lease	82,473	-
(Decrease) increase in:		
Refundable advance - PPP Loan	-	(725,655)
Accounts payable and accrued expenses	(422,752)	526,573
Advances from other parties	510,911	(928,605)
Client rent deposits	-	(250)
Lease liability- operating	(43,509)	-
Deferred rent	-	(4,260)
Net cash used in operating activities	(858,166)	(787,965)
Cash flows used in investing activities		
Purchases of property and equipment	(11,994)	(95,981)
Net change in cash and cash equivalents	(870,160)	(883,946)
Cash and cash equivalents, beginning of year	1,850,280	2,734,226
Cash and cash equivalents, end of year	\$ 980,120	\$ 1,850,280

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Organization: Shelter House, Inc. is a not-for-profit organization formed in the Commonwealth of Virginia in February 1981. The founding purposes of Shelter House, Inc. are to receive voluntary contributions to be used exclusively for charitable purposes; to provide housing for families or individuals who may be in need of relief, distressed or underprivileged; and to maintain an active interest in the overall wellbeing of these families or individuals. Shelter House, Inc. operates five shelter facilities in Fairfax and Loudoun Counties, Virginia. Shelter House, Inc. also operates seven off-site transitional housing units under the Rise Program, six units under the Stride Program, four units under the Off-site Program and a shared housing unit called Ives House. Shelter House, Inc. also provides the residents with counseling, life skills training, and other services to assist them in making an expeditious return to the community.

NOVACO, Inc. is a not-for-profit organization originally formed in Fairfax County, Virginia in 1999. The founding purpose was to provide transitional housing, support, and guidance to survivors of domestic abuse. NOVACO, Inc. offers supportive housing and services, job training, counseling and financial literacy to enable families to reach self-sufficiency through community collaboration.

Basis of consolidation: The consolidated financial statements include the accounts of Shelter House, Inc. and NOVACO, Inc. (collectively referred to as “the Organization”). Because the organizations are under common control and an economic interest exists between them, they have been consolidated as required under accounting principles generally accepted in the United States of America. All intercompany accounts and transactions 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 for not-for-profit organizations.

Basis of presentation: The Organization classifies net assets and revenue based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – undesignated – net assets that are not subject to donor-imposed stipulations.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Net assets without donor restrictions – Board designated reserve fund – net assets that are designated by the Board of Directors. The primary objective of the reserve fund is to sustain the Organization’s operations through a significant or unanticipated shortfall in funding. It was established to meet a short to mid-term funding crisis and is not intended to enable the Organization to continue operating on a long-term basis without its usual funding sources.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, and net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as released from restrictions. As of June 30, 2023 and 2022, there were no net assets with permanent donor restrictions.

Cash and cash equivalents: Cash and cash equivalents consist of demand deposits with maturities of 90 days or less. The Organization maintains cash balances at four commercial banks, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2023 and 2022, the Organization’s cash balances held at the commercial banks exceeded the FDIC limit by approximately \$650,000 and \$1,307,000, respectively. Management does not believe that this results in any significant credit risk. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

Accounts receivable: The balance of accounts receivable includes all billed and unbilled costs incurred on government grants and contracts, which are earned within the respective period. All accounts receivable are stated at the amount management expects to collect for balances outstanding at year end. Management believes all accounts receivable are fully collectible, and therefore no allowance for doubtful accounts is recorded as of June 30, 2023 and 2022. As of June 30, 2023 and 2022, all accounts receivable consisted of unbilled amounts.

Pledges receivable: Pledges receivable are recorded in the consolidated financial statements at the time the contributions are made or received. An allowance for doubtful accounts is allocated on an account-by-account basis, if needed. All accounts are considered collectible as of June 30, 2023 and 2022. Contributions expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on contributions are computed at a discount rate approximating the prevailing local borrowing rate. Amortization of the discount is included in contribution revenue.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Investments: Investments are reflected on the Consolidated Statements of Financial Position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Consolidated Statements of Activities and Changes in Net Assets. Interest and dividend income is recorded on the accrual basis. Investments include equity and debt securities which are recorded at fair value using observable inputs such as quoted prices.

Fair value measurement: The Organization values investments using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value.

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes to the fair market methodologies used at June 30, 2023 and 2022. All investments held by the Organization were categorized as Level 1 investments at June 30, 2023 and 2022.

Property and equipment: Property and equipment purchases in excess of \$1,000 are capitalized and recorded at cost. Donated assets are capitalized at estimated fair value at the date of receipt. Depreciation and amortization are calculated on the straight-line method over estimated useful lives of 39 years for buildings and improvements and 5-7 years for furniture and equipment. Leasehold improvements are amortized over the lesser of the lease term or their useful lives. For the years ended June 30, 2023 and 2022, depreciation and amortization expense was \$83,594 and \$75,259, respectively.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Impairment of long-lived assets: The Organization performs an impairment evaluation on the carrying value of its long-lived assets held for use based upon a comparison of the undiscounted future net cash flows for the assets to the net book value. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, and other factors. If the net book value is greater than the future undiscounted cash flows estimated, the Organization records an impairment adjustment to reduce the assets' cost basis to its fair value.

At June 30, 2023 and 2022, the Organization has performed a recoverability analysis of all long-lived assets and does not believe an impairment adjustment is required.

Leases: Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use asset – operating lease and the related liabilities are included in lease liability – operating lease in the Consolidated Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as rental expense in the accompanying Consolidated Statements of Functional Expenses. Lease and non-lease components of lease agreements are accounted for as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the Consolidated Statements of Financial Position except for leases with an initial term of 12 months or less for which the Organization made the short-term lease election.

Contributions: Contributions are recognized when unconditionally promised or received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Government agencies: Support from government agencies are conditional contributions and are recognized to the extent of the Organization's corresponding expenditures on the basis of allowable direct and indirect costs. Government agency reimbursements and grants received in advance are reported as advances from other parties on the Consolidated Statements of Financial Position. The Organization had advances from other parties totaling \$519,927 and \$9,016 as of June 30, 2023 and 2022, respectively.

Donated facilities, materials and services: The Organization receives donated rent, utilities, telephone, some maintenance costs and services for the three shelters at no cost. Donated services are recorded when specialized skills are provided that would otherwise need to be purchased. These contributions are reported at their estimated fair value and included on the Consolidated Statements of Activities and Changes in Net Assets. These donated facilities, materials and services were expensed and included on the Consolidated Statements of Functional Expenses.

Contributions and grant income: The Organization recognizes all unconditional contributions and grant income received as income in the period in which the commitment is made. Unconditional contributions are reported as with or without donor restrictions depending on the absence or existence of donor stipulations that limit the use of contributions.

Fundraising income: The Organization hosts fundraising events to benefit their program and mission. Support derived from these events are presented net of direct benefits to donors on the Consolidated Statement of Activities and Changes in Net Assets

Cash flow classification of donated financial assets: Cash receipts from the sale of donated securities that upon receipt were converted nearly immediately into cash and with no donor-imposed restrictions are included in the operating section of the Consolidated Statements of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions are classified as financing activities. Otherwise, receipts from the sale of donated financial assets are classified as cash flows from investing activities.

Rental income: The Organization recognizes rental income over the lease term as it is earned.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Functional allocation of expenses: The costs of providing the various programs and supporting activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Expenses directly attributable to an activity are charged to the activities benefited based on specific identification. Other expenses have been allocated among the program and supporting activities benefited based upon estimated time spent on each activity.

Expenses that are allocated include the following:

Expenses	Method of Allocation
Payroll expenses	Estimated time and effort by employees
Insurance	Estimated time and effort by employees
Office supplies	Estimated time and effort by employees
Miscellaneous	Estimated time and effort by employees
Rental expense	Estimated time and effort by employees
Printing and postage	Estimated time and effort by employees
Depreciation and amortization	Estimated allocation of property and equipment

Income tax status: Shelter House, Inc. and Subsidiary are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. The Internal Revenue Service has determined them not to be “private foundations” within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of June 30, 2023 and 2022, there were no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2020 through the current year remain open for examination by tax authorities.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Recently adopted accounting pronouncement: The Organization adopted Accounting Standards Codification (ASC) 842, *Leases* (ASC 842) effective July 1, 2022, using the modified retrospective alternative method. This standard requires lessees to recognize leases on the Consolidated Statement of Financial Position as ROU assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Organization elected to use the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs. As a result of implementing ASC 842, the Organization recognized a right-of-use asset – operating lease and a lease liability – operating lease of \$297,022 and \$297,022, respectively, in its Statement of Financial Position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Consolidated Statements of Activities and Changes in Net Assets and Cash Flows for the year ended June 30, 2023. No cumulative-effect adjustments were required.

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through June 27, 2024, which is the date the consolidated financial statements were available to be issued.

2. Investments

Investments are stated at fair value (level 1) and are comprised of the following as of June 30:

	2023	2022
Equity mutual funds	\$ 100,426	\$ 93,081
Fixed income mutual funds	56,344	51,745
Total investments	\$ 156,770	\$ 144,826

The Organization excludes cash and cash equivalents from their fair value hierarchy as these items are generally carried at cost. As such, \$8,949 and \$8,267 of the Organization's investment portfolio at June 30, 2023 and 2022, respectively has been excluded from this table.

3. Pledges receivable

Pledges receivable as of June 30, 2023 and 2022 are due as follows:

	2023	2022
Less than one year:	\$ 132,500	\$ 12,000
One to five years:	120,000	-
Total pledges receivable:	252,500	12,000
Less discount:	(11,156)	-
Net pledges receivable:	\$ 241,344	\$ 12,000

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

4. Line of credit NOVACO, Inc. has a revolving line of credit in the amount of \$30,000 with a bank in Virginia, collateralized by a checking account held with the bank. Advances bear interest at the Wall Street Journal Prime Rate plus 2.50% (10.75% and 6.88% at June 30, 2023 and 2022, respectively). Interest is payable monthly. At June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

5. Note payable NOVACO, Inc. entered into an agreement with Fairfax County Redevelopment and Housing Authority ("FCRHA") whereby NOVACO, Inc. was awarded Federal HOME Program Community House Development Organization (CHDO) Funds to acquire transitional housing for victims of domestic abuse. During March 2012, NOVACO, Inc. exercised the first part of that agreement and purchased property in Centreville, Virginia. NOVACO, Inc. was granted a \$203,000 HOME loan deferred for 30 years at a 0% interest rate to be repaid in the event the property is either sold or no longer used for affordable rental housing. At the end of the 30-year period, NOVACO, Inc. will be indebted for the equity share if the property is sold or no longer used for affordable housing.

The loan contains various covenants, which include a debt coverage ratio, a dedicated operating reserve account, minimum contributions annually to the replacement reserve account and annual audited financials. The Organization was in compliance with all covenants for the year ending June 30, 2023.

6. Net assets with donor restrictions Net assets with donor restrictions are available for the following purposes as of June 30, 2023 and 2022:

	2023	2022
Restricted as to purpose		
Katherine Hanley Shelter	\$ 56,666	\$ 31,739
Housing and support	225,945	312,537
Loudoun	66,218	-
Family Pass	413,860	-
Patrick Henry Shelter	2,000	-
Artemis House Shelter	11,500	-
Total net assets with donor restrictions	\$ 776,189	\$ 344,276

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Net assets released from donor restrictions by program during the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Katherine Hanley Shelter	\$ 51,834	\$ -
Housing and support	560,966	490,374
Loudoun	3,782	-
Family Pass	149,760	-
Patrick Henry Shelter	16,010	11,643
Artemis House Shelter	110,636	67,254
NOVACO, Inc.	-	1,500
Total releases by program	\$ 892,988	\$ 570,771

7. Donated facilities

Fairfax County provides facilities, utilities, telephone, and some maintenance costs to the three emergency shelters at no cost to the Organization. These shelter facilities are owned or leased by Fairfax County and occupied by the Organization. The Patrick Henry shelter facility is approximately 10,320 square feet with 4,400 square feet added under the Family Resource Center in 2020. The Katherine Hanley family shelter is approximately 16,931 square feet with 931 square feet added in 2020. The Artemis House Shelter is approximately 21,000 square feet with 12,500 square feet added in 2020. The fair value of donated facilities for the years ended June 30, 2023 and 2022 was estimated at \$1,542,456 and \$1,245,347, respectively, using square footage values published by Fairfax County.

During 2022, Fairfax County also donated use of prepaid hotel space for use in the Organization's various shelter programs. The fair value of the donated hotel space was determined using actual costs incurred by Fairfax County and totaled \$9,437,093 for the year ended June 30, 2022.

The donated facilities are included in donated facilities, materials, and services on the Consolidated Statements of Activities and Changes in Net Assets. There is no monetization of donated facilities, and no associated donor restrictions.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

8. Donated materials and services

There were donated materials and services received in the years ended June 30, 2023 and 2022 of \$493,865 and \$296,588, respectively. In valuing donated materials, the Organization estimates the value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed services from professionals are valued at the estimated fair value based on current rates for similar professional services. When donated materials and services are recognized, they are reflected as a component of donated facilities, materials and services on the Consolidated Statements of Activities and Changes in Net Assets. There is no monetization of donated materials and services, and no associated donor restrictions.

In addition, the Organization receives significant volunteer hours each year which do not meet the requirements for financial statement recognition as many individuals volunteer their time and perform a variety of tasks that assist the Organization at its shelters.

9. Operating leases

The Organization has entered into lease agreements with Fairfax County to operate three shelter facilities. The annual lease payment for the Patrick Henry shelter is one dollar and the lease was effective for five years, beginning June 12, 1986. There is a provision for an indefinite number of one-year extensions beyond the initial five-year lease period. The Organization is currently leasing this facility on a one-year extension. The Katherine Hanley shelter lease runs concurrently with the service contract beginning May 31, 2007, and is extended annually. The lease is renewed automatically at the time the service contract is renewed. No annual lease payment for the Katherine Hanley shelter is required. The Artemis House shelter lease runs concurrently with the service contract beginning January 2010. No annual lease payment for the Artemis House shelter is required. The Organization records the estimated fair value of the donated space for these facilities as disclosed in Note 7.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The Organization is obligated under three leases. The first lease was for office space in Reston, Virginia which was set to expire on January 31, 2019. However, it was renewed through January 31, 2023. A deferred rent liability was recorded for the difference between the pro rata expense recognized and the total amounts paid to date under the lease. The second lease is a lease for office space in Fairfax, Virginia. The lease commenced December 1, 2019 and expired on December 23, 2022; however, it was renewed through January 9, 2026. A deferred rent liability was recorded for the difference between the pro rata expense recognized and the total amounts paid under the lease. A security deposit related to the lease is included with prepaid expenses and other assets on the Consolidated Statements of Financial Position. The third lease is for the Ives House property which is on a month-to-month basis until a long-term agreement can be established.

The Organization also maintained two leases for use in providing housing to recipients of shelter services which commenced in September 2021 and expired in June and August of 2023. Due to the nature of these leases, the rent is included in rental assistance rather than rental expense on the Statements of Functional Expenses.

Under FASB ASC 840 (pre-adoption of the new standard, ASC 842) the difference between rent expense recognized on a straight-line basis and actual cash payments under the lease, as well as the utilized tenant improvement allowance, is reflected in deferred rent on the accompanying 2022 Statement of Financial Position. Rent expense for the building and office spaces totaled \$111,194 for the year ended June 30, 2022. Future minimum lease payments were as follows at June 30, 2022:

Year ending June 30,		
2023	\$	92,404
2024		5,670
Total	\$	98,074

Upon adoption of the new standard, the Organization evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents the Organization's right to use underlying asset for the lease term, and the lease liability represents the Organization's obligation to make lease payments arising from the lease.

Total operating lease costs for the year ended June 30, 2023 were \$121,203. Operating lease costs are included in rental expense in the accompanying Consolidated Statement of Functional Expenses.

Total cash paid for operating leases was \$50,691 for the year ended June 30, 2023.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The weighted average remaining lease term was 2.5 years, and the discount rate was 2.85% for the year ended June 30, 2023.

The following is a schedule by years of future minimum rental payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2023:

Year ended June 30,	Operating leases
2024	\$ 102,365
2025	106,460
2026	54,274
Total	263,099
Less: imputed interest	(9,586)
Lease liability	\$ 253,513

10. Retirement plan

The Organization sponsors a 401(k) retirement plan for its employees. The plan calls for a 50 percent match of employee contributions up to four percent of each employee's salary. Employees are fully vested after two years of participation in the plan. For the years ended June 30, 2023 and 2022, the Organization contributed \$90,361 and \$115,775, respectively.

11. Concentration

For the years ended June 30, 2023 and 2022, 42% and 39%, respectively, of the Organization's revenue (excluding revenue recognized for donated facilities, materials and services) was derived from Fairfax County. At June 30, 2023 and 2022, 55% and 46%, respectively, of the Organization's accounts receivable was due from Fairfax County. At June 30, 2023 and 2022, 28% and 30%, respectively, of the Organization's revenue was derived from the Federal government. At June 30, 2023 and 2022, 13% and 36%, respectively, of the Organization's accounts receivable were due from the Federal government. Seven of the largest agreements with Fairfax County to run the shelters below comprised 42% and 39% of revenue (excluding revenue recognized for donated facilities) for the years ended June 30, 2023 and 2022, respectively.

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The remaining revenue from Fairfax County is comprised of a number of smaller one-year agreements that fund discretionary services that could be discontinued if the agreements are not renewed. The Organization expects the agreements to be renewed and they have been continuously renewed since contract origination, with the exception of the Artemis House Shelter agreements which expired in June 2023. The table below reflects terms for the seven material agreements.

	Artemis House Shelter			Case Management/ Housing Location Program			
	QPID Shelter	Patrick Henry Shelter	Katherine Hanley Shelter	Artemis North	Artemis South	Region II	Region IV
Agreement origination	July 1, 2020	July 1, 2006	March 5, 2007	September 1, 2009	October 5, 2018	July 1, 2012	July 1, 2012
Current expiration date	September 30, 2023	June 30, 2024	June 30, 2024	June 30, 2023	June 30, 2023	June 30, 2024	June 30, 2024
Revenue for the year ended June 30, 2023	\$191,023	\$588,807	\$1,321,188	\$1,226,270	\$1,053,560	\$718,207	\$1,245,859
Percentage of total revenue less in-kind	1%	4%	9%	8%	7%	5%	9%

12. Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statements of Financial Position dated as of June 30, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 980,120	\$ 1,850,280
Investments	165,719	153,093
Accounts receivable	4,056,731	3,140,893
Pledges receivable	252,500	12,000
Total financial assets	5,455,070	5,156,266
Less amounts not available to be used within one year:		
Board designated reserve fund	(1,444,183)	(1,403,464)
Net assets with donor restrictions	(776,189)	(344,276)
Pledges receivable, long term, net of discount	(108,844)	-
Total financial assets available to use for general expenditures within one year	\$ 3,125,854	\$ 3,408,526

Shelter House, Inc. and Subsidiary

Notes to Consolidated Financial Statements

13. PPP loan

In February 2021, the Organization received a loan in the amount of \$1,172,260, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan had a two-year term and bore interest at a rate of 1.00% per annum. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The Organization used proceeds from the PPP loan for qualifying expenses as described in the CARES Act in order to obtain full forgiveness.

The Organization elected the treatment under ASC 958 – *Not-for-Profit Entities* to account for the receipt of the PPP loan. Accordingly, the PPP loan was accounted for as a conditional contribution and the initial proceeds were recorded as a refundable advance. The Organization recognizes contribution revenue as it incurs qualifying forgivable costs and satisfies other key conditions for loan forgiveness according to the terms of the CARES Act.

In May 2022, the Organization received forgiveness on the full balance of this PPP loan and recorded \$725,655 in contribution revenue for the year ended June 30, 2022. There was no refundable advance liability associated with the PPP loan as of June 30, 2023 or 2022.

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 of
Shelter House, Inc. and Subsidiary
Reston, Virginia

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 **Shelter House, Inc. and Subsidiary** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of June 30, 2023, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2024.

Report on Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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 (Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

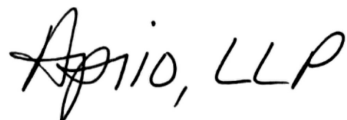
As part of obtaining reasonable assurance about whether **Shelter House, Inc. and Subsidiary's** consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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*.

Shelter House, Inc. and Subsidiary's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on **Shelter House, Inc. and Subsidiary's** response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. **Shelter House, Inc. and Subsidiary's** response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter 'A' being particularly large and the letters 'p', 'r', 'i', 'o' following in a cursive-like fashion. The comma and 'LLP' are written more plainly.

Rockville, Maryland
June 27, 2024

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 of
Shelter House, Inc. and Subsidiary
Reston, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Shelter House, Inc. and Subsidiary's** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Shelter House, Inc. and Subsidiary's** major federal programs for the year ended June 30, 2023. **Shelter House, Inc. 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.

In our opinion, **Shelter House, Inc. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Shelter House, Inc. and Subsidiary** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **Shelter House, Inc. and Subsidiary's** compliance with the compliance requirements referred to above.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Shelter House, Inc. and Subsidiary's** federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Shelter House, Inc. and Subsidiary's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Shelter House, Inc. and Subsidiary's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Shelter House, Inc. and Subsidiary's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Shelter House, Inc. and Subsidiary's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 **Shelter House, Inc. and Subsidiary's** internal control over compliance. Accordingly, no such opinion is expressed.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 and 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards required the auditor to perform limited procedures on **Shelter House, Inc. and Subsidiary's** response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. **Shelter House, Inc. and Subsidiary's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a material weakness.

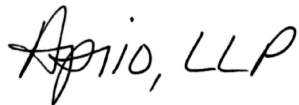
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-004 to be a significant deficiency.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on **Shelter House, Inc. and Subsidiary's** response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. **Shelter House, Inc. and Subsidiary's** response was not subjected to the other 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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter 'A' being particularly large and the letters 'p', 'r', 'i', 'o' being connected. The 'LLP' is written in a simpler, more standard font.

Rockville, Maryland
June 27, 2024

Shelter House, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Name	Assistance Listing Number	Award Number/Pass- Through Entity Identifying Number	Pass through to subrecipients	Total Federal Expenditures
Department of Housing and Urban Development (HUD)				
<i>Direct Funding:</i>				
Continuum of Care Program	14.267	VA0014L3G0 1-2013 VA0114L3G0 1-2114;	-	\$ 554,219
Continuum of Care Program	14.267	VA0286L3G01 -2005; VA0286L3G01 -2106; VA0366L3G01 -2002 VA0366L3G01 -2103	-	1,184,881
Subtotal			-	1,739,100
<i>Pass-through funding:</i>				
County of Fairfax, Virginia (EIN # 54-0787833)				
Home Investment Partnerships Program – Loan	14.239	M-05-US-51- 0503; M-07-US-51- 0503; M-08-US-51- 0503	-	203,000*
COVID-19 Community Development Block Grants/Entitlement Grants Cluster	14.218	B-23-UC-51- 0001 E-20-UW-51- 0001	-	572,018
Subtotal			-	775,018

Refer to accompanying Notes to Schedule of Expenditures of Federal Awards.

Shelter House, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards (Continued)

Virginia Department of Housing and Community Development (EIN # 54-1080347)				
		E-21-UC-51		
Emergency Solutions Grant		0001;		
Program- Virginia Homeless		E-22-DC-51-		
Solutions Program	14.231	0001	-	277,553
		E-20-DW-51-		
		0001		
CHERP	14.231	E-20-UW-51-		249,793
Emergency Solutions Grant		0001		
Program- COVID-19 Virginia		E-20-DX-51-		
Homeless Solutions Program	14.231	0001	-	191,023
Subtotal			-	718,369
Total HUD			-	3,232,487
Department of Health and Human Services (DHHS)				
<i>Pass-through funding</i>				
Virginia Department of Social Services (EIN # 54-0959533)				
<i>Temporary Assistance for Needy Families:</i>				
Virginia Homeless Solutions		CVS-19-057-		
Program	93.558	A-39	-	219,749
<i>Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services:</i>				
Domestic Violence				
Prevention and Services	93.671		-	20,000
Total DHHS			-	239,749

Refer to accompanying Notes to Schedule of Expenditures of Federal Awards.

Shelter House, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards (Continued)

Department of Justice (DOJ)*Pass-through funding:*Virginia Department of Social Services (EIN # 54-0959533)

Crime Victim Assistance

Virginia Department of
Criminal Justice Services
(EIN # 54-0852528)

16.575

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-

231,327Coronavirus State and Local
Fiscal Recovery FundsVirginia Department of
Criminal Justice Services
(EIN # 54-0852528)

21.027

-

489,853

Total DOJ

-

721,180

Total federal expenditures

\$

-

\$ 4,193,416

*This represents an outstanding loan balance

Refer to accompanying Notes to Schedule of Expenditures of Federal Awards.

Shelter House, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

1. Basis of presentation	The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Shelter House, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelter House, Inc. and Subsidiary, it is not intended to and does not present the consolidated financial position, changes in net assets, functional expenses or cash flows of Shelter House, Inc. and Subsidiary.		
2. Summary of significant accounting policies	Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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.		
3. Indirect cost rate	Shelter House, Inc. and Subsidiary has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.		
4. Loan balances	Outstanding balances of government loans from federal sources at June 30, 2023 are as follows:		
	Home Investment Partnerships Program – Loan	\$	203,000
5. Reconciliation of Schedule of Expenditures of Federal Awards to Revenue	The following is a reconciliation of the Schedule of Expenditures of Federal Awards to the total government agency revenue per the Consolidated Statements of Activities and Changes in Net Assets:		
	Schedule of Expenditures of Federal Awards	\$	4,193,416
	State and County contracts and grants		8,766,561
	Less outstanding loan		(203,000)
	Total government agencies	\$	12,756,977

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? X yes no
- Significant deficiency identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? X yes no
- Significant deficiency identified? X yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of Major Programs:

Assistance Listing Number
14.267

Name of Federal Program or Cluster
Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes X no

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001: Reportable Finding Considered a Material Weakness – Financial Close

Criteria: An effective and accurate financial close process is essential to preventing and detecting deficiencies and weaknesses that could create a material misstatement on the financial statements and can impact the timeliness of the preparation of the financial statements.

Condition: Several schedules, including bank reconciliations, revenues, accounts receivable, the Schedule of Expenditures of Federal Awards, were not prepared timely and required several revisions and adjusting entries over the course of the audit.

Cause: There was significant turnover within the Organization's accounting department.

Effect: The audit was delayed and required numerous adjusting entries to correctly state the related accounts.

Repeat Finding: This is not a repeat finding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommended that there be stronger emphasis on the planning around the timing of the audit, maintaining proper staffing of the accounting department, and ensuring all schedules are appropriately closed out and reconciled prior to the start of the audit.

Views of Responsible Officials and Corrective Action Plan (unaudited): See corrective action plan.

Finding 2023-002: Reportable Finding Considered a Significant Deficiency – Revenue Recognition

Criteria: The auditee is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to the fraud or error. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, provides guidance on not-for-profit revenue recognition.

Condition: Aprio noted that certain revenue sources were misclassified as to whether there were conditional or unconditional contributions. The correct classification is vital as donor-imposed conditions determine the appropriate contribution revenue recognition.

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs (Continued)

Cause: Internal controls were not in place to properly classify contributions as either conditional or unconditional.

Effect: Contributions and pledges receivable were understated.

Repeat Finding: This is not a repeat finding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommended that all long-term contribution agreements are reviewed for potential receivable balances.

Views of Responsible Officials and Corrective Action Plan (unaudited): See corrective action plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-003: Reportable Finding Considered a Material Weakness – Data Collection Form Reporting

Criteria: According to 2 CFR 200.512 the data collection and reporting package must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition: The data collection form for the 2023 Single Audit was not submitted within the required timeframe.

Cause: The Single Audit was not completed in time to file the data collection form by the deadline due to delays in receiving the required audit support or revisions to schedules being made, such as the improper presentation of the Schedule of Expenditures of Federal Awards due to not grouping together clusters of federal awards and changes to the total amounts included within the schedule.

Effect: The data collection form for the 2023 Single Audit was not submitted within the required timeframe and this data was not reported timely to the Federal government.

Repeat Finding: This is a repeat finding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommended that the Organization ensure that they are prepared and have adequate resources and staffing to complete the audit timely such that the data collection form and reporting package are filed within the required timeframe.

Views of Responsible Officials and Corrective Action Plan (unaudited): See corrective action plan.

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-004: Reportable Finding Considered a Significant Deficiency – Procurement Policies Not Followed

Program Name: Continuum of Care

Assistance listing #: 14.267

Federal Awarding Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Procurement

Criteria: According to 2 CFR 200.320(a)(2) price quotations must be obtained from an adequate number of qualified sources for the acquisition of property or services for which the aggregate dollar amount is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold.

Condition: The Organization did not follow the small purchase procedures applicable to their procurement policy (for procurements between \$10,000 and \$250,000).

Cause: Many expenses were split between multiple programs over the course of the program. While the expenditures were individually within the micro-purchase threshold; when combined, the amounts exceeded this threshold.

Effect: The Organization did not adequately meet the requirements for their procurement policy which notes that the Organization should perform a cost/price analysis on their contractors.

Repeat Finding: This is not a repeat finding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommend the Organization receive price quotations for all material purchases and recurring expenditures relevant to federal awards.

Views of Responsible Officials and Corrective Action Plan (unaudited): See corrective action plan.

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs (Continued)

SECTION IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2022-001: Reportable Finding Considered a Significant Deficiency – Unrecorded Fund

Condition and Criteria: The auditee is responsible for establishing and maintaining financial management systems that can provide accurate, current, and complete amounts and disclosures of its financial information as required by accounting principles generally accepted in the United States of America (U.S. GAAP).

An endowment fund was created for Shelter House and control over this fund was turned over to the Organization, but the fund was not recorded on their books in the year received.

Current status: No similar issues were identified during the current year audit.

SECTION V – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-002: Reportable Finding Considered a Material Weakness – Data Collection Form Reporting

Condition and Criteria: According to 2 CFR 200.512 the data collection and reporting package must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition: The data collection form for the 2022 Single Audit was not submitted within the required timeframe.

Current status: See finding 2023-003.

Finding 2022-003: Reportable Finding Considered a Significant Deficiency – Lack of eligibility documentation

Program Name: COVID-19 Community Development Block Grant **Assistance listing #:** 14.218

Federal Awarding Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Eligibility

Condition and Criteria: According to the grant agreement, all individuals receiving benefits under this award must meet certain requirements to be eligible for this support. The auditee is responsible for determining each individual's eligibility and maintaining documentation of this determination.

Shelter House, Inc. and Subsidiary

Schedule of Findings and Questioned Costs (Continued)

Under Federal Award Identification No. E-20-DW-51-0001 for the period July 1, 2021 through June 30, 2022, the auditee was unable to locate and provide the requested support for three out of forty selected individuals and therefore we were unable to determine that the eligibility requirements set forth in the grant agreement had been met for those individuals.

Current status: No similar issues were identified during the current year audit.