Shelters to Shutters

Financial Statements
Years Ended December 31, 2019 and 2018

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Financial Statements

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Shelters to Shutters

Contents

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Independent Auditor's Report

Board of Directors of
Shelters to Shutters
Vienna, Virginia

We have audited the accompanying financial statements of Shelters to Shutters ("the "Organization"), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management 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; 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Shelters to Shutters, as of December 31, 2019, and the changes in its net assets and its cash flows for the year then in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of Shelters to Shutters were audited by other auditors, whose report dated November 7, 2019 expressed an unmodified opinion on those statements.

BDO USA, LLP

Mclean, Virginia
October 19, 2020

Financial Statements

Shelters to Shutters

Statements of Financial Position

December 31,	2019	2018
Assets		
Cash	$ 128,000	$ 19,519
Contributions receivable	89,673	13,450
Other assets	4,526	4,047
Property and equipment, net	2,674	1,481
Total assets	$ 224,873	$ 38,497
Liabilities and net assets (deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 33,894	$ 9,405
Accrued payroll and related liabilities	43,826	37,991
Total liabilities	77,720	47,396
Commitments		
Net assets (deficit)		
Without donor restrictions	144,653	(8,899)
With donor restrictions	2,500	-
Total net assets (deficit)	147,153	(8,899)
Total liabilities and net assets (deficit)	$ 224,873	$ 38,497

See accompanying notes to financial statements.

Shelters to Shutters

Statement of Activities and Change in Net Assets

Year ended December 31,	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support			
Contributions	$ 1,216,903	$ 2,500	$ 1,219,403
In-kind contributions	70,000	-	70,000
Total support	1,286,903	2,500	1,289,403
Expenses			
Program services	591,095	-	591,095
Support services	266,905	-	266,905
Fundraising services	275,351	-	275,351
Total expenses	1,133,351	-	1,133,351
Change in net assets (deficit)	153,552	2,500	156,052
Net assets (deficit), beginning of year	(8,899)	-	(8,899)
Net assets (deficit), end of year	$ 144,653	$ 2,500	$ 147,153

See accompanying notes to financial statements. *inancial statements.*

Shelters to Shutters

Statement of Activities and Change in Net Assets

Year ended December 31,	Without Donor Restrictions	With Donor Restrictions	2018 Total
Support			
Contributions	$ 878,892	$ -	$ 878,892
In-kind contributions	70,000	-	70,000
Total support	948,892	-	948,892
Expenses			
Program services	553,289	-	553,289
Support services	273,340	-	273,340
Fundraising services	244,169	-	244,169
Total expenses	1,070,798	-	1,070,798
Change in net assets (deficit)	(121,906)	-	(121,906)
Net assets (deficit), beginning of year	113,007	-	113,007
Net assets (deficit), end of year	$ (8,899)	$ -	$ (8,899)

See accompanying notes to financial statements. inancial statements.

Shelters to Shutters

Statements of Functional Expenses

Year ended December 31,	Program	Supporting Services: Management and General	Supporting Services: Fundraising services	2019 Total
Salaries and benefits	$ 530,020	$ 58,378	$ 155,608	$ 744,006
Marketing	18,102	-	81,162	99,264
Office rent	-	107,189	-	107,189
Travel	27,831	-	23,708	51,539
General and administrative	15,142	94,389	14,873	124,404
Taxes and insurance	-	4,718	-	4,718
Depreciation and amortization	-	2,231	-	2,231
Other	-	-	-	-
Total expenses	$ 591,095	$ 266,905	$ 275,351	$ 1,133,351

See accompanying notes to financial statements.

Shelters to Shutters

Statements of Functional Expenses

		Supporting Services		
Year ended December 31,	Program	Management and General	Fundraising services	2018 Total
Salaries and benefits	$ 504,649	$ 18,368	$ 163,336	$ 686,353
Marketing	9,552	93,109	49,049	151,710
Office rent	-	112,679	-	112,679
Travel	35,101	-	29,900	65,001
General and administrative	2,183	41,432	1,884	45,499
Taxes and insurance	-	3,563	-	3,563
Depreciation and amortization	-	4,189	-	4,189
Other	1,804	-	-	1,804
Total expenses	$ 553,289	$ 273,340	$ 244,169	$ 1,070,798

See accompanying notes to financial statements.

Shelters to Shutters

Statements of Cash Flows

Years ended December 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 156,052	$ (121,906)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,231	4,189
Changes in assets and liabilities:		
Contributions receivable	(76,223)	(13,450)
Other assets	(479)	12,275
Accounts payable and accrued expenses	24,489	(12,869)
Accrued payroll and related liabilities	5,835	-
Net cash provided by (used in) operating activities	111,905	(131,761)
Cash flows from investing activity:		
Purchases of property and equipment	(3,424)	-
Net cash used in investing activity	(3,424)	-
Net increase (decrease) in cash	108,481	(131,761)
Cash, beginning of the year	19,519	151,280
Cash, end of the year	$ 128,000	$ 19,519

See accompanying notes to financial statements.

1. Nature of Organization

Shelters to Shutters (the "Organization"), a not-for-profit organization founded in February 2014, provides housing and employment opportunities to the homeless by educating and engaging real estate and property management leaders and encouraging action within their communities. The Organization works with homeless and at-risk homeless individuals in multiple cities in the United States. Currently, the Organization is assisting homeless individuals in more than 12 communities, including three in Virginia (Alexandria, Arlington, Newport News), three in North Carolina (Durham, Raleigh, Charlotte), three in Texas (Austin, Houston), Baltimore (MD), Washington (DC), Nashville (TN), Seattle (WA), and Chicago (IL). Additional expansion sites will likely include Atlanta (GA) and Denver (CO), as well as other cities where the Organization can pair ready-to-work homeless individuals with property management professionals who provide employment opportunities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

Use of Estimates

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

Net Assets

Net assets without donor restrictions consists of amounts that are available for use in carrying out the activities of the Organization. Net assets with donor restrictions represent those amounts which are not available until future periods or are restricted by the donor for specific purposes.

Contributions

Unconditional promises to give are recognized as contributions in the period received and recorded as assets, reductions of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the contributions are recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are determined based on factors including collectability, contribution duration and market conditions.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. It is the Organization's policy to write off uncollectible accounts when management determines the receivable will not be collected.

At December 31, 2019 and 2018, there were $89,673 and $13,450 of contributions receivable, respectively, all of which are expected to be collected within one year.

In-Kind Contributions

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals processing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Property and Equipment

Purchased property and equipment are recorded at historical cost and any purchases or donations in excess of $1,000 are capitalized. Donations of property and equipment are recorded as in-kind contributions at their estimated fair market value on the date received. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in the statements of activities.

Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets. For the years ended December 31, 2019 and 2018, depreciation and amortization expense was $2,231 and $4,189, respectively.

Impairment of Long-Lived Assets

The Organization reviews the carrying value of other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at December 31, 2019 and 2018.

Deferred Rent

The Organization amortizes lease payments on the straight-line basis over the term of the lease. The difference between the actual minimum monthly lease payments and the amount expensed is recorded as deferred rent. Deferred rent is included within accounts payable and accrued expenses in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing program, management and general, and fundraising activities have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the program and supporting services directly benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2019 and 2018 was $193,653 and $151,710, respectively.

Recently Adopted Authoritative Guidance

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Shelters to Shutters adopted this update in 2019 under the modified prospective basis. The adoption of this update did not materially impact the financial statements.

Revenue From Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*. This guidance requires new and expanded disclosures related to the recognition of revenue and judgments made in determining when and how to recognize revenue related to contracts with customers. This accounting standard became effective for the Organization's fiscal year ended December 31, 2019. However, the adoption of Topic 606 had no effect on the Organization's financial reporting as the Organization's revenue results from contributions, and the FASB excluded contributions from the standard.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard relates to leasing for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all leases with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The ASU is effective for the Organization beginning on January 1, 2022. Management is currently evaluating the impact of this ASU on their financial statements.

The Organization has assessed other accounting pronouncements issued or effective during the year ended December 31, 2019 and deemed they were not applicable to the Organization or are not anticipated to have a material effect on the financial statements.

3. Liquidity and Availability

The following reflects the Organization’s financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditure within one year of the date of the statements of financial position because of donor-imposed or other restrictions.

December 31,	2019	2018
Cash	$ 128,000	$ 19,519
Contributions receivable	89,673	13,450
Total	217,673	32,969
Less donor-imposed restrictions	(2,500)	-
Financial assets available to meet cash needs for general expenditures within one year	$ 215,173	$ 32,969

4. Contributions receivable

As of December 31, 2019 and 2018, contributions receivable of $89,673 and $13,450, respectively, consisted of amounts due from corporations and foundations and were expected to be received in less than one year. All amounts are deemed fully collectible.

5. Other Assets

Other assets consisted of:

December 31,	2019	2018
Prepaid expenses	$ 2,116	$ 1,637
Refundable deposit	2,410	2,410
Total other assets	$ 4,526	$ 4,047

6. Property and Equipment

Property and equipment consisted of:

December 31,	Useful Lives		2019		2018
Computers and equipment	2 – 5 years	$	14,042	$	12,005
Furniture and fixtures	7 years		1,387		-
Total property and equipment			15,429		12,005
Less: accumulated depreciation and amortization			(12,755)		(10,524)
Property and equipment, net		$	2,674	$	1,481

7. Related Party Transactions

Contributed Services Received from Personnel of a Related Party

Middleburg Real Estate Partners "Middleburg", owned by the Chairman of the Organization's Board, provided accounting and management personnel to the Organization without charge. During each of the years ended December 31, 2019 and 2018, the Organization recognized an in-kind contribution and related salary expense of $70,000, for contributed services received from Middleburg based on the fair value of comparable services provided by third parties.

Related Party Concentration

The Organization had one board member who contributed $815,000 and $415,000 during the years ended December 31, 2019 and 2018, respectively, which is included as contributions in the accompanying statements of activities. The Organization is exposed to risk from substantial support of one donor and would not be able to continue operations without it.

8. Lease Commitments

The Organization leases a facility under a non-cancelable operating lease agreement that expires in September 2020. At December 31, 2019, future minimum lease payments under this lease was $22,353 for the year ending December 31, 2020.

In addition, the Organization utilizes space rented by Middleburg in Vienna, Virginia. The Organization rents the space from Middleburg under an unwritten arrangement and reimburses Middleburg for actual rental costs for the space. The Organization has no future obligations under this arrangement with Middleburg and could relocate at any time without penalty.

Rent expense totaled $107,189 and $112,679 for the years ended December 31, 2019 and 2018, respectively.

9. Subsequent Events

The Organization has evaluated its December 31, 2019 financial statements for subsequent events through October 19, 2020 the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these financial statements, except as described below.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to Shelters to Shutters, its performance, and its financial results. The government-mandated restrictions on travel and requirement for social distancing and shelter-in-place directives have forced cancellation of certain meetings. While the resulting disruptions are expected to be temporary, there is considerable uncertainty around its duration. Although Shelters to Shutters cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on Shelters to Shutter's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act. The CARES Act, among other things, includes provisions related to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, increases limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. In addition, the Organization has applied for, and has received, funds under the Paycheck Protection Program on April 17, 2020 in the amount of $101,783. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. Management continues to examine the impact that the CARES Act may have on the Organization and is currently unable to determine the impact on its operations and net assets for the year ending December 31, 2020.