SHELTERS TO SHUTTERS

(A Not-for-profit Organization)

Financial Statements

Years Ended December 31, 2016 and 2015

SHELTERS TO SHUTTERS

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Independent Auditor's Report

To the Board of Directors of
Shelters to Shutters
Richmond, Virginia

We have audited the accompanying financial statements of Shelters to Shutters (a not-for-profit organization), which comprise the statement of financial position as of December 31 2016, and the related statements of activities 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, 2016, 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 – Prior Period Financial Statements

The 2015 financial statements of Shelters to Shutters were audited by LBA Certified Public Accountants, P.A. ("LBA"), whose partners and professional staff joined BDO USA, LLP as of November 16, 2016, shortly after which LBA ceased operations. LBA's report dated May 13, 2016 expressed an unmodified opinion on those statements.

BDO USA, LLP

Jacksonville, Florida
February 28, 2017

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Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets:		
Cash	**$ 144,862**	$ 29,043
Property and equipment, net	**10,457**	7,549
Other assets	**4,214**	5,631
Total assets	**$ 159,533**	$ 42,223
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued expenses	**$ 58,578**	$ 16,054
Total liabilities	**58,578**	16,054
Net assets:		
Unrestricted	**100,955**	26,169
Total liabilities and net assets	**$ 159,533**	$ 42,223

See accompanying notes to financial statements.

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Statements of Activities

Years Ended December 31, 2016 and 2015

	2016	2015
Support:		
Contributions	**$ 618,829**	$ 310,326
In-kind contributions	**65,506**	69,506
Total support	**684,335**	379,832
Expenses:		
Program services	**395,379**	313,717
Support services	**99,299**	37,502
Fundraising services	**114,871**	13,505
Total expenses	**609,549**	364,724
Change in unrestricted net assets	**74,786**	15,108
Unrestricted net assets, beginning of year	**26,169**	11,061
Unrestricted net assets, end of year	**$ 100,955**	$ 26,169

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 74,786**	$ 15,108
Adjustments to reconcile net income to net cash changes in operating activities:		
Depreciation	**3,306**	1,907
Net changes in:		
Other assets	**1,417**	(4,976)
Accounts payable and accrued expenses	**42,524**	(5,872)
Net cash changes in operating activities	**122,033**	6,167
Cash flows from investing activities:		
Purchases of property and equipment	**(6,214)**	(5,710)
Net change in cash	**115,819**	457
Cash, beginning of year	**29,043**	28,586
Cash, end of year	**$ 144,862**	$ 29,043

See accompanying notes to financial statements.

1. Nature of Organization

Shelters to Shutters (the "Organization"), a not-for-profit organization started 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 15 communities, including 3 in Virginia (Alexandria, Arlington, Newport News), 3 in North Carolina (Durham, Raleigh, Charlotte), 3 in Texas (Austin, Dallas, Houston), Baltimore (MD), Washington(DC), Nashville(TN), Seattle(WA), Jacksonville (FL), Chicago (IL), and Detroit (MI). Additional expansion sites will likely include Phoenix (AZ) and St Louis (MO), as well as other cities where the Organization can pair ready-to-work homeless individuals with property management professionals who have employment opportunities.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements.

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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when they become measurable and available and expenses are generally recognized when the related liability is incurred.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearest of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations of time and/or purpose.

2. Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. At December 31, 2016 and 2015, there were no temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the assets must be maintained permanently by the Organization. At December 31, 2016 and 2015, there were no permanently restricted net assets.

Contributions and Contributions Receivable

Unconditional promises to give are recognized as support in the period received and recorded as assets, reductions of liabilities or expenses depending on the form of the benefits received.

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. Amortization of discounts is included in contribution revenue.

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 charge off uncollectible accounts when management determines the receivable will not be collected.

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 unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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. 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 operations.

2. Summary of Significant Accounting Policies (Continued)

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Asset lives for financial statement reporting of depreciation are:

Computers and equipment	2 – 5 years
Furniture and fixtures	7 years

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, 2016 and 2015.

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 on the statements of financial position.

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, are provided by individuals processing those skills, and 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.

Functional Expenses

The costs of providing the various programs and other 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.

Income Taxes

The Organization is a nonprofit organization incorporated in the state of Virginia as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Title 13.1 Chapter 10 of the Virginia Code, respectively.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Organization recognizes the tax benefit from an uncertain tax position

2. Summary of Significant Accounting Policies (Continued)

only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2016 and 2015, respectively, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. At December 31, 2016, the Organization is subject to U.S. federal, state or local income tax examinations by taxing authorities for the period ended December 31, 2014, the year of inception. As of December 31, 2016 and 2015, the Organization did not have a liability for any unrecognized taxes. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 was $52,150 and $33,447, respectively. The Organization allocates those expenses between program, fundraising and management and general based on the nature of the advertisement.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue

In May 2014, The Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

2. Summary of Significant Accounting Policies (Continued)

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The standard is effective beginning January 2019. The Organization is currently evaluating the alternative methods of adoption and the impact that it will have on its financial statements and related disclosures.

Financial Statement Presentation of Not-for-Profit Entities

In August of 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. These amendments will have an impact on the Organization's financial statement presentation. These amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this ASU on the Organization's financial reporting.

Subsequent Events

The Organization has evaluated the events that have occurred subsequent to year end through the date of the independent auditor's report, February 28, 2017, the date the financial statements were available to be issued.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Computers and equipment	$ 12,005	$ 5,790
Furniture and fixtures	3,927	3,927
Total property and equipment	15,932	9,717
Less: accumulated depreciation	(5,475)	(2,168)
Property and equipment, net	$ 10,457	$ 7,549

4. 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.

4. Related Party Transactions (Continued)

During the years ended December 31, 2016 and 2015, the Organization recognized revenue and related expense of $65,000 and $65,000, respectively, for contributed services received from Middleburg based on the fair value of comparable services provided by third parties.

Other In-Kind Contributions

The Organization also received contributed equipment and space from Middleburg during the years ended December 31, 2016 and 2015, amounting to $506 and $4,506, respectively.

Related Party Concentration

The Organization had one related party contributor who contributed $500,000 and $300,000 of total contributions for the years ended December 31, 2016 and 2015, respectively.

5. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash. Cash balances are exposed to credit risk since the Organization periodically maintains balances in excess of federally insured limits. The Organization determined that this risk is mitigated because cash is deposited with a national bank.

6. Commitments and Contingencies

Leases

The Organization leases a facility under a non-cancelable operating lease agreement that expires in December 2020. The lease expense was $38,350 for the year ended December 31, 2016. Future minimum lease payments under this lease consisted of the following at December 31, 2016:

2017	$ 30,380
2018	31,292
2019	32,230
2020	22,023
Total minimum lease payments	$ 115,925