Shelters To Shutters

Financial Statements
Years Ended December 31, 2017 and 2016

BDO

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Financial Statements

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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Certified Public Accountants
March 30, 2018

Financial Statements

Shelters To Shutters

Statements of Financial Position

December 31,	2017	2016
Assets		
Cash	$ 151,280	$ 144,862
Property and equipment, net	5,670	10,457
Other assets	16,322	4,214
Total Assets	$ 173,272	$ 159,533
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 20,426	$ 16,231
Accrued expenses	39,839	42,347
Total Liabilities	60,265	58,578
Commitments (Note 6)		
Unrestricted Net Assets	113,007	100,955
Total Liabilities and Net Assets	$ 173,272	$ 159,533

See accompanying independent auditor's report and notes to financial statements.

Shelters To Shutters
Statements of Activities

Years ended December 31,		2017		2016
Support				
Contributions	$	866,749	$	618,829
In-kind contributions		66,700		65,506
Total Support		933,449		684,335
Expenses				
Program services		482,187		395,379
Support services		171,096		99,299
Fundraising services		268,114		114,871
Total Expenses		921,397		609,549
Change in Unrestricted Net Assets		12,052		74,786
Unrestricted Net Assets, beginning of year		100,955		26,169
Unrestricted Net Assets, end of year	$	113,007	$	100,955

See accompanying independent auditor's report and notes to financial statements.

Shelters To Shutters

Statements of Cash Flows

Years ended December 31,		2017		2016
Operating Activities				
Change in net assets	$	12,052	$	74,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		4,787		3,306
Net changes in:				
Other assets		(12,108)		1,417
Accounts payable and accrued expenses		1,687		42,524
Net cash provided by operating activities		6,418		122,033
Investing Activities				
Purchases of property and equipment		-		(6,214)
Net cash used in investing activities		-		(6,214)
Net Change in Cash		6,418		115,819
Cash, beginning of year		144,862		29,043
Cash, end of year	$	151,280	$	144,862

See accompanying independent auditor's report and notes to financial statements.

1. Nature of Organization

Shelters to Shutters ("S2S") (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 16 communities, including three in Virginia (Alexandria, Arlington, Newport News), three in North Carolina (Durham, Raleigh, Charlotte), three in Texas (Austin, Dallas, Houston), Baltimore (MD), Washington(DC), Greenville, (SC), Nashville(TN), Seattle(WA), Jacksonville (FL), Chicago (IL), and Detroit (MI). 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 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 accompanying financial statements.

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.

Liquidity

Assets are sequentially 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

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of the Organization. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. Permanently restricted net assets result from gifts and bequests from donors who place restrictions on the use of the funds which mandate that the original principal be invested or used in perpetuity.

The Organization did not have any temporarily or permanently restricted net assets as of December 31, 2017 and 2016.

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 unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets 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 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.

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. 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.

At December 31, 2017 and 2016, there were no outstanding contributions receivable.

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 expense is computed using the straight-line method over the estimated useful lives of the assets.

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, 2017 and 2016.

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 accompanying statements of financial position.

Functional Expenses

The costs of providing program, support, 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.

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 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, 2017 and 2016, 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, 2017, 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.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016 was $148,478 and $52,150, respectively. The Organization allocates those expenses between program, support, and fundraising services, based on the nature of the advertisement.

Recent Accounting Pronouncements Not Yet Adopted

Financial Statement Presentation

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Association's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on the Organization's financial statements.

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on the Organization's financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on the Organization's financial statements.

Subsequent Events

The Organization has evaluated the events that have occurred subsequent to December 31, 2017 end through the date of the independent auditor's report, March 30, 2018, the date accompanying the financial statements were available to be issued.

3. Other Assets

Other assets consisted of:

December 31,		2017		2016
Loans to others	$	1,804	$	1,804
Prepaid expenses		12,108		-
Refundable deposit		2,410		2,410
Total other assets	$	16,322	$	4,214

4. Property and Equipment

Property and equipment consisted of:

December 31,	Useful Lives		2017		2016
Computers and equipment	2 - 5 years	$	12,005	$	12,005
Furniture and fixtures	7 years		3,927		3,927
Total property and equipment			15,932		15,932
Less: accumulated depreciation			(10,262)		(5,475)
Property and equipment, net		$	5,670	$	10,457

5. 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, 2017 and 2016, the Organization recognized an in-kind contribution and related salary expense of $65,000, 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 $485,000 and $500,000 during the years ended December 31, 2017 and 2016, 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.

6. Lease Commitments

The Organization leases a facility under a non-cancelable operating lease agreement that expires in December 2020. The lease expense was $29,131 and $38,350 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, future minimum lease payments under this lease consisted of the following:

Year ending December 31,		Amount
2018	$	31,292
2019		32,230
2020		22,023
Total minimum lease payments	$	85,545