Shelters to Shutters

Financial Statements and Independent Auditor's Report

December 31, 2018

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Shelters to Shutters

Index

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Independent Auditor's Report

To the Board of Directors
Shelters to Shutters

We have audited the accompanying financial statements of Shelters to Shutters (the "Organization") which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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 entity'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, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Bethesda, Maryland
November 7, 2019

Shelters to Shutters

Statement of Financial Position
December 31, 2018

Assets

Cash	$	19,519
Contributions receivable		13,450
Property and equipment, net		1,481
Other assets		4,047
Total assets	$	38,497

Liabilities and Net Assets (Deficit)

Liabilities		
Accounts payable	$	9,405
Accrued expenses		37,991
Total liabilities		47,396
Commitments and contingencies		-
Net assets (deficit) without donor restrictions		(8,899)
Total liabilities and net assets (deficit)	$	38,497

See Notes to Financial Statements.

Shelters to Shutters

Statement of Activities
Year Ended December 31, 2018

Support	
Contributions	$ 878,892
In-kind contributions	70,000
Total Support	948,892
Expenses	
Program services	553,289
Support services	273,340
Fundraising services	244,169
Total expenses	1,070,798
Change in net assets	(121,906)
Net assets without donor restrictions, beginning	113,007
Net assets (deficit) without donor restrictions, ending	$ (8,899)

See Notes to Financial Statements.

Shelters to Shutters

Statement of Functional Expenses
Year Ended December 31, 2018

	Program services	Support services	Fundraising services	Total
Salaries and wages	$ 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	-	4,189	-	4,189
Other	1,804	-	-	1,804
	$ 553,289	$ 273,340	$ 244,169	$ 1,070,798

See Notes to Financial Statements.

Shelters to Shutters

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	$ (121,906)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	4,189
Net change in	
Contributions receivable	(13,450)
Other assets	12,275
Accounts payable and accrued expenses	(12,869)
Net cash used in operating activities	(131,761)
Net decrease in cash	(131,761)
Cash, beginning of year	151,280
Cash, end of year	$ 19,519

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

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 15 communities, including three in Virginia (Alexandria, Arlington, Newport News), three in North Carolina (Durham, Raleigh, Charlotte), Atlanta (GA), Baltimore (MD), Washington (DC), Nashville (TN), Seattle (WA), Chicago (IL), and Detroit (MI). Additional expansion sites will likely include 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.

Note 2 - Significant accounting policies

Basis of presentation

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are net assets without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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.

Contributions

Unconditional promises to give are recognized as contributions in the period received and recorded as assets, reductions of liabilities or revenue 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 net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as revenue without restrictions if the restriction is met in the reporting period in which the contributions are recognized. All other donor-restricted support is reported as with restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

The Organization has received a conditional grant of $130,000 for hiring an employee in the Hampton Roads, Virginia area. During 2018, $50,000 was received and released from restriction as the conditions were substantially met. As of December 31, 2018, the remaining $80,000 of conditional promises to give remain unrecognized due to the uncertain nature of future events upon which the funding is contingent.

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 when applicable.

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 fundraising activity. It is the Organization's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

As of December 31, 2018, $13,450 of contributions were receivable, 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 at the date of donation if the services received (a) create or enhance an assets or (b) require specialized skills, and are provided by individuals processing those skills, and the services 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 statement of activities.

Depreciation expense is determined using the straight-line method over the estimated useful lives of the assets (two to five years). For the year ended December 31, 2018, depreciation expense was $4,189 which includes a loss on disposal of assets of $781.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the assets or asset group are less than its carrying amount, management compares the carrying amount of the assets or asset group to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 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 accrued expenses on the accompanying statement of financial position.

Functional expenses

The costs of providing program, support, and fundraising activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program, support, or fundraising service categories based on specific identification and certain indirect expenses have been allocated based on level of effort as determined by management. These indirect expenses require allocation on a reasonable basis that is consistently applied. Expenses not directly attributable to a function include salaries and wages, marketing, travel, and general and administrative.

Income taxes

The corporation has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2018 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. Due to its tax-exempt status, the corporation is not subject to income taxes. The corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the corporation has no other tax positions which must be considered for disclosure. Income tax returns filed by the corporation are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2015 remain open.

Marketing

The Organization expenses marketing costs as they are incurred. Marketing expense totaled $151,710 for the year ended December 31, 2018. The Organization allocates those expenses between program, support, and fundraising services, based on the nature of the marketing.

Change in accounting principle

During 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The corporation has adjusted the presentation of these statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

Note 3 - Liquidity and availability

The Organization has $34,606 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of $19,519, contributions receivable of $13,450 and prepaids of $1,637. Only amounts related to refundable deposits anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts. Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due.

Note 4 - Other assets

Other assets as of December 31, 2018 totaled:

Prepaid expenses	$	1,637
Refundable deposit		2,410
Total other assets	$	4,047

Note 5 - Property and equipment, net

Property and equipment as of December 31, 2018 totaled:

Computers and equipment	$	12,005
Total property and equipment		12,005
Less accumulated depreciation		(10,524)
Property and equipment, net	$	1,481

Note 6 - 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 the year ended December 31, 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. In addition, Middleburg advances funds to pay for daily operations and is thereafter reimbursed by the Organization. As of December 31, 2018, advances of $7,307 are included in accounts payable on the statement of financial position.

Related party concentration

The Organization had one board member who contributed $415,000 for the year ended December 31, 2018, which is included as contributions on the accompanying statement of activities. The organization is exposed to risk from substantial support from one donor and would not be able to continue operations without it.

Note 7 - Lease commitments

The Organization leases a facility in Fairfax, Virginia, under a non-cancelable operating lease agreement that expires in September 2020. The lease expense was $29,131 for the year ended December 31, 2018. As of December 31, 2018, future minimum lease payments under this lease for the years ending December 31 are as follows:

2019	$	32,196
2020		23,384
Total minimum lease payments	$	55,580

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. For the year ended December 31, 2018, the Organization reimbursed Middleburg $83,548 under this arrangement.

Note 8 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management has evaluated the activity of the Organization through November 7, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events required disclosure in the notes to the financial statements.

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