Shelters to Shutters

Financial Statements
Years Ended December 31, 2020 and 2019

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Contents

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Independent Auditor's Report

Board of Directors of
Shelters to Shutters
Vienna, Virginia

Opinion

We have audited the financial statements of Shelters to Shutters ("the "Organization"), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2020 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Shelters to Shutters, as of December 31, 2020 and 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

BDO USA, LLP

August 24, 2021

Financial Statements

Shelters to Shutters

Statements of Financial Position

December 31,		2020		2019
Assets				
Cash	$	81,589	$	128,000
Contributions receivable		98,898		89,673
Other assets		2,174		4,526
Property and equipment, net		1,717		2,674
Total assets	$	184,378	$	224,873
Liabilities and net assets (deficit)				
Liabilities				
Accounts payable and accrued expenses	$	17,798	$	33,894
Accrued payroll and related liabilities		16,977		43,826
Due to related party		121,000		-
Paycheck Protection Program loan		101,783		-
Total liabilities	$	257,558		77,720
Commitments				
Net assets (deficit)				
Without donor restrictions	$	(153,180)		144,653
With donor restrictions		80,000		2,500
Total net assets (deficit)	$	(73,180)		147,153
Total liabilities and net assets (deficit)	$	184,378	$	224,873

See accompanying notes to financial statements.

Shelters to Shutters

Statement of Activities and Change in Net Assets

Year ended December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	$ 612,697	$ 77,500	$ 690,197
In-kind contributions	50,000	-	50,000
Total support	662,697	77,500	740,197
Expenses			
Program services	525,399	-	525,399
Support services	239,839	-	239,839
Fundraising services	195,292	-	195,292
Total expenses	960,530	-	960,530
Change in net assets (deficit)	(297,833)	77,500	(220,333)
Net assets (deficit), beginning of year	144,653	2,500	147,153
Net assets (deficit), end of year	$ (153,180)	$ 80,000	$ (73,180)

See accompanying notes to financial statements.

Shelters to Shutters

Statement of Activities and Change in Net Assets

Year ended December 31, 2019	Without Donor Restrictions	With Donor Restrictions	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.

Shelters to Shutters

Statement of Functional Expenses

Year ended December 31, 2020	Program	Supporting Services: Management and General	Supporting Services: Fundraising services	Total
Salaries and benefits	$ 494,620	$ 45,936	$ 143,964	$ 684,520
Marketing	2,260	17,547	27,892	47,699
Office rent	-	56,118	-	56,118
Travel	6,726	-	5,729	12,455
General and administrative	21,793	114,171	17,707	153,671
Taxes and insurance	-	5,110	-	5,110
Depreciation and amortization	-	957	-	957
Total expenses	$ 525,399	$ 239,839	$ 195,292	$ 960,530

See accompanying notes to financial statements.

Shelters to Shutters

Statement of Functional Expenses

Year ended December 31, 2019	Program	Supporting Services: Management and General	Supporting Services: Fundraising services	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
Total expenses	$ 591,095	$ 266,905	$ 275,351	$ 1,133,351

See accompanying notes to financial statements.

Shelters to Shutters

Statements of Cash Flows

Years ended December 31,	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (220,333)	$ 156,052
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	957	2,231
Changes in assets and liabilities:		
Contributions receivable	(9,225)	(76,223)
Other assets	2,352	(479)
Accounts payable and accrued expenses	(16,096)	24,489
Accrued payroll and related liabilities	(26,849)	5,835
Net cash (used in) provided by operating activities	(269,194)	111,905
Cash flows from investing activity:		
Purchases of property and equipment	-	(3,424)
Net cash used in investing activity	-	(3,424)
Cash flows from financing activity:		
Borrowings under Paycheck Protection Program	101,783	-
Borrowings from related party	121,000	-
Net cash provided by financing activity	222,783	-
Net (decrease) increase in cash	(46,411)	108,481
Cash, beginning of the year	128,000	19,519
Cash, end of the year	$ 81,589	$ 128,000

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 has assisted homeless individuals in more than 12 communities, including three in Virginia (Alexandria, Arlington, Newport News), three in North Carolina (Durham, Raleigh, Charlotte), two in Texas (Austin, Houston), Baltimore (Maryland), Nashville (Tennessee), Seattle (Washington), and Chicago (Illinois). Additional expansion sites will include Atlanta (Georgia) and Washington DC, 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. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

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, 2020 and 2019, there were $98,898 and $89,673 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, 2020 and 2019, depreciation and amortization expense was $957 and $2,231, 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, 2020 and 2019.

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, 2020 and 2019 was $47,699 and $99,264, respectively.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, which supersedes the current lease guidance under *Leases* (Topic 840) and makes several changes, such as requiring an entity to recognize a right-of-use ("ROU") asset and corresponding lease obligation on the balance sheet, classified as financing or operating, as appropriate. The update was originally effective for private companies for annual and interim reporting periods beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-10 *Codification Improvements to Topic 842, Leases* to add clarity to certain areas within ASU 2016-02 and ASU 2018-11 *Targeted Improvements*, to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The revised effective date for private companies is for annual periods beginning after December 15, 2021. The Organization is currently evaluating the effect that adoption of this new standard will have on the Organization's financial statements.

The Company has assessed other accounting pronouncements issued or effective during the years ended December 31, 2020 and 2019 and deemed they were not applicable to the Company and 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,		2020		2019
Cash	$	81,588	$	128,000
Contributions receivable		98,898		89,673
Total		180,486		217,673
Less donor-imposed restrictions		(80,000)		(2,500)
Financial assets available to meet cash needs for general expenditures within one year	$	100,486	$	215,173

4. Contributions receivable

As of December 31, 2020 and 2019, contributions receivable of $98,898 and $89,673, 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,		2020		2019
Prepaid expenses	$	2,174	$	2,116
Refundable deposit		-		2,410
Total other assets	$	2,174	$	4,526

6. Property and Equipment

Property and equipment consisted of:

December 31,	Useful Lives	2020	2019
Computers and equipment	2 – 5 years	$ 14,042	$ 14,042
Furniture and fixtures	7 years	1,387	1,387
Total property and equipment		15,429	15,429
Less: accumulated depreciation and amortization		(13,712)	(12,755)
Property and equipment, net		$ 1,717	$ 2,674

7. Note Payable

Payroll Protection Program Loan

In April 2020, the Organization received funding under the Paycheck Protection Program (PPP) totaling $101,783. While the loan is subject to forgiveness under the terms of PPP sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, there is no guarantee that forgiveness will occur. The application for these funds required the Organization to, in good faith, certify that the current economic uncertainty made the loan requests necessary to support the ongoing operations of the respective companies. This certification further required the respective companies to take into account their current business activity and 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, is dependent on the respective companies having initially qualified for the loan and qualifying for the forgiveness of such loan based on the Organization's future adherence to the forgiveness criteria. The PPP loan accrues interest at a rate of 1.00% per annum. Any principal amounts that do not qualify for forgiveness, along with accrued interest, will be repaid in 24 equal monthly payments beginning November 2021. Approximately, $8,480 is due in 2021, $50,890 in 2022, and the remainder due in 2023. In accordance with ASC 470, *Debt*, no amounts for loan forgiveness will be recognized until a legal release is received. In January 2021, the Organization received a second loan under the Paycheck Protection Program totaling $92,882.

8. 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. During each of the years ended December 31, 2020 and 2019, the Organization recognized an in-kind contribution and related salary expense of $50,000 and $70,000, respectively, 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 $49,049 and $815,000 during the years ended December 31, 2020 and 2019, 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.

Due to Related Party

Throughout 2020, the Organization received funds from Thistle, a related party, in the amount of $121,000. This amount is non-interest bearing, and is due on demand.

9. Lease Commitments

The Organization leases a facility under a non-cancelable operating lease agreement that expired, and was not renewed in September 2020. At December 31, 2020, there were no future minimum lease payments due as the lease expired.

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. As of April 2021, the Organization is no longer utilizing Middleburg space and are fully remote.

Rent expense totaled $56,119 and $107,189 for the years ended December 31, 2020 and 2019, respectively.

10. Risks and Uncertainties

Coronavirus Aid, Relief, and Economic Security (CARES) Act

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Operationally, the Organization has remained focused on supporting employees, and communities during this time. The Organization has responded quickly to adopt a virtual corporate strategy consisting of enabling most employees to work productively from home while continuing to guard the health and safety of teams, support members, and mitigate risk. To the extent possible, the Organization is conducting business as usual, with necessary or advisable modifications to employee travel, employee work locations, and events.

Through March 31, 2021, the Organization has not experienced any impact of COVID-19 and therefore, has not experienced any going concern issues or other events that negatively affected operating cash flows and liquidity. Management does not foresee any risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term.

However, the global pandemic of COVID-19 continues to evolve, and the Organization will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The Organization does not yet know the full extent of potential delays or impacts on business, operations, or the global economy as a whole, which makes future results difficult to predict.

On March 27, 2020, President Trump signed into law the CARES Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The Organization examined the provisions of the CARES Act. As described in Note 7, the Organization received a PPP Loan. In addition, the Organization took advantage of certain payroll and other tax credits and deferrals. The benefits associated with these CARES Act provisions are included in the accompanying financial statements. With the exception of the PPP Loan, the Organization does not expect any further material impact from the provisions of the CARES Act on the financial statements.

Contingencies

The Organization is a defendant in a lawsuit wherein substantial amounts are claimed. In the opinion of the Organization’s legal counsel and management, the suit is without substantial merit and are not expected to result in judgments, which, in the aggregate, would have a material adverse effect on the Organization’s financial statements.

11. Subsequent Events

The Organization has evaluated its December 31, 2020 financial statements for subsequent events through August 24, 2021 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 noted in Note 7.