

**SHELTER HOUSE, INC. AND SUBSIDIARY**

**AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

# Shelter House, Inc. and Subsidiary

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## Independent Auditor's Report

Board of Directors  
**Shelter House, Inc. and Subsidiary**  
Reston, Virginia

We have audited the accompanying consolidated financial statements of **Shelter House, Inc. and Subsidiary** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of June 30, 2016 and 2015, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

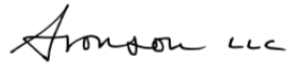
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## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Shelter House, Inc. and Subsidiary** as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland  
November 22, 2016

## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Financial Position

<i>June 30,</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,165,606	\$ 846,891
Accounts receivable	938,098	994,314
Prepaid expenses and other assets	63,769	59,611
<b>Total current assets</b>	<b>2,167,473</b>	<b>1,900,816</b>
Client rent deposit held in trust	3,934	4,384
<b>Property and equipment</b>		
Land	488,094	488,094
Buildings	1,700,515	1,688,115
Leasehold improvements	244,123	242,837
Furniture and equipment	251,410	185,011
Equipment under capital lease	34,508	34,508
<b>Total property and equipment</b>	<b>2,718,650</b>	<b>2,638,565</b>
Less: Accumulated depreciation	(530,492)	(449,928)
<b>Property and equipment, net</b>	<b>2,188,158</b>	<b>2,188,637</b>
<b>Total assets</b>	<b>\$ 4,359,565</b>	<b>\$ 4,093,837</b>

## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Financial Position

	2016	2015
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Obligation under capital lease - current portion	\$ 2,604	\$ 8,217
Accounts payable and accrued expenses	176,084	243,958
Advances from other parties	5,771	6,198
Deferred revenue	52,042	43,126
Client rent deposits	3,934	4,384
Deferred rent, current portion	3,002	1,342
<b>Total current liabilities</b>	<b>243,437</b>	<b>307,225</b>
<b>Long-term liabilities</b>		
Note payable	203,000	203,000
Deferred rent, net of current portion	9,374	11,823
Obligation under capital lease - net of current portion	-	2,604
<b>Total liabilities</b>	<b>455,811</b>	<b>524,652</b>
<b>Net assets</b>		
Unrestricted		
Undesignated	3,208,510	3,024,822
Board designated reserve fund	372,201	372,201
Temporarily restricted	323,043	172,162
<b>Total net assets</b>	<b>3,903,754</b>	<b>3,569,185</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,359,565</b>	<b>\$ 4,093,837</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Shelter House, Inc. and Subsidiary

### Consolidated Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	2016 Total
<b>Change in net assets</b>			
<b>Support and revenue</b>			
Government agencies	\$ 4,267,533	\$ -	\$ 4,267,533
Donated facilities, materials and services	941,280	-	941,280
Grant income	71,500	526,125	597,625
Miscellaneous income	96,926	-	96,926
Interest income	2,669	-	2,669
Events, net	75,773	-	75,773
Contributions	166,193	94,742	260,935
Net assets released from restrictions	469,986	(469,986)	-
<b>Total support and revenue</b>	<b>6,091,860</b>	<b>150,881</b>	<b>6,242,741</b>
<b>Expenses</b>			
Program services:			
Patrick Henry Shelter	1,054,674	-	1,054,674
Katherine Hanley Shelter	1,967,811	-	1,967,811
Artemis House Shelter	1,210,270	-	1,210,270
NOVACO, Inc.	193,166	-	193,166
Housing and support	831,587	-	831,587
<b>Total program services</b>	<b>5,257,508</b>	<b>-</b>	<b>5,257,508</b>
Supporting services:			
Management and general	383,742	-	383,742
Fundraising	266,922	-	266,922
<b>Total supporting services</b>	<b>650,664</b>	<b>-</b>	<b>650,664</b>
<b>Total expenses</b>	<b>5,908,172</b>	<b>-</b>	<b>5,908,172</b>
<b>Change in net assets</b>	<b>183,688</b>	<b>150,881</b>	<b>334,569</b>
<b>Net assets, beginning of year</b>	<b>3,397,023</b>	<b>172,162</b>	<b>3,569,185</b>
<b>Net assets, end of year</b>	<b>\$ 3,580,711</b>	<b>\$ 323,043</b>	<b>\$ 3,903,754</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	2015 Total
<b>Change in net assets</b>			
<b>Support and revenue</b>			
Government agencies	\$ 3,888,823	\$ -	\$ 3,888,823
Donated facilities, materials and services	942,780	-	942,780
Grant income	44,500	327,500	372,000
Miscellaneous income	71,836	-	71,836
Interest income	2,363	-	2,363
Events, net	70,074	-	70,074
Contributions	173,377	71,704	245,081
Net assets released from restrictions	327,963	(327,963)	-
<b>Total support and revenue</b>	<b>5,521,716</b>	<b>71,241</b>	<b>5,592,957</b>
<b>Expenses</b>			
Program services:			
Patrick Henry Shelter	997,480	-	997,480
Katherine Hanley Shelter	1,779,824	-	1,779,824
Artemis House Shelter	1,022,919	-	1,022,919
NOVACO, Inc.	221,887	-	221,887
Housing and support	740,432	-	740,432
<b>Total program services</b>	<b>4,762,542</b>	<b>-</b>	<b>4,762,542</b>
Supporting services:			
Management and general	403,188	-	403,188
Fundraising	230,763	-	230,763
<b>Total supporting services</b>	<b>633,951</b>	<b>-</b>	<b>633,951</b>
<b>Total expenses</b>	<b>5,396,493</b>	<b>-</b>	<b>5,396,493</b>
<b>Change in net assets</b>	<b>125,223</b>	<b>71,241</b>	<b>196,464</b>
<b>Net assets, beginning of year</b>	<b>3,271,800</b>	<b>100,921</b>	<b>3,372,721</b>
<b>Net assets, end of year</b>	<b>\$ 3,397,023</b>	<b>\$ 172,162</b>	<b>\$ 3,569,185</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.



## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Functional Expenses

<i>For the Year Ended June 30, 2016</i>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2016 Total</b>
<b>Payroll expenses</b>				
Salaries	\$ 2,415,200	\$ 288,815	\$ 186,764	\$ 2,890,779
Employee benefits	350,559	24,395	14,666	389,620
Payroll taxes	186,358	22,416	20,339	229,113
<b>Total payroll expenses</b>	<b>2,952,117</b>	<b>335,626</b>	<b>221,769</b>	<b>3,509,512</b>
<b>Other operating expenses</b>				
Donated rent and utilities	941,280	-	-	941,280
Direct assistance	655,043	-	-	655,043
Fundraising	-	-	24,129	24,129
Meals	97,277	-	-	97,277
Insurance	71,709	8,149	5,387	85,245
Professional fees	69,779	22,665	3,633	96,077
Client transportation	89,627	-	-	89,627
Offsite	76,107	-	-	76,107
Staff training and travel	50,900	5,901	4,624	61,425
Maintenance	65,344	467	309	66,120
Office supplies	20,784	2,362	1,562	24,708
Linens and housekeeping	19,568	-	-	19,568
Miscellaneous	15,583	2,123	1,139	18,845
Rental expense	47,330	5,215	3,448	55,993
Printing and postage	5,596	636	420	6,652
<b>Total other operating expenses</b>	<b>2,225,927</b>	<b>47,518</b>	<b>44,651</b>	<b>2,318,096</b>
<b>Depreciation and amortization</b>	<b>79,464</b>	<b>598</b>	<b>502</b>	<b>80,564</b>
<b>Total expenses</b>	<b>\$ 5,257,508</b>	<b>\$ 383,742</b>	<b>\$ 266,922</b>	<b>\$ 5,908,172</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Functional Expenses

<i>For the Year Ended June 30, 2015</i>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2015 Total</b>
<b>Payroll expenses</b>				
Salaries	\$ 2,262,964	\$ 277,632	\$ 157,764	\$ 2,698,360
Employee benefits	290,300	18,668	12,551	321,519
Payroll taxes	188,051	16,631	14,411	219,093
<b>Total payroll expenses</b>	<b>2,741,315</b>	<b>312,931</b>	<b>184,726</b>	<b>3,238,972</b>
<b>Other operating expenses</b>				
Donated rent and utilities	941,280	-	-	941,280
Direct assistance	541,997	-	-	541,997
Fundraising	-	-	23,458	23,458
Meals	105,969	-	-	105,969
Insurance	72,157	6,799	4,773	83,729
Professional fees	24,213	45,840	2,267	72,320
Client transportation	78,473	-	-	78,473
Offsite	37,198	-	-	37,198
Staff training and travel	35,899	3,382	2,374	41,655
Maintenance	40,958	350	246	41,554
Office supplies	21,887	2,075	1,457	25,419
Linens and housekeeping	14,495	-	-	14,495
Miscellaneous	8,618	10,220	1,075	19,913
Rental expense	24,247	20,609	9,698	54,554
Printing and postage	10,425	982	689	12,096
<b>Total other operating expenses</b>	<b>1,957,816</b>	<b>90,257</b>	<b>46,037</b>	<b>2,094,110</b>
<b>Depreciation and amortization</b>	<b>63,411</b>	<b>-</b>	<b>-</b>	<b>63,411</b>
<b>Total expenses</b>	<b>\$ 4,762,542</b>	<b>\$ 403,188</b>	<b>\$ 230,763</b>	<b>\$ 5,396,493</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Shelter House, Inc. and Subsidiary

### Consolidated Statements of Cash Flows

<i>For the Years Ended June 30,</i>	<b>2016</b>	2015
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 334,569	\$ 196,464
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation and amortization	80,564	63,411
<b>(Increase) decrease in:</b>		
Accounts receivable	56,216	(242,371)
Prepaid expenses and other assets	(4,158)	(13,351)
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	(67,874)	19,134
Advances from other parties	(427)	775
Deferred revenue	8,916	12,820
Client rent deposits	-	(11,215)
Deferred rent	(789)	1,342
<b>Net cash provided by operating activities</b>	<b>407,017</b>	27,009
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(80,085)	(57,403)
<b>Cash flows from financing activities</b>		
Principal payments on obligation under capital lease	(8,217)	(7,739)
<b>Net change in cash and cash equivalents</b>	<b>318,715</b>	(38,133)
<b>Cash and cash equivalents, beginning of year</b>	<b>846,891</b>	885,024
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,165,606</b>	\$ 846,891
<b>Supplemental cash flow information</b>		
Interest paid	\$ 426	\$ 903

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Shelter House, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 1. Organization and significant accounting policies

**Organization:** Shelter House, Inc. is a not-for-profit organization formed in the state of Virginia in February 1981. The founding purposes of Shelter House, Inc. is to receive voluntary contributions to be used exclusively for charitable purposes; to provide housing for families or individuals who may be in need of relief, distressed or underprivileged; and to maintain an active interest in the overall wellbeing of these families or individuals. Shelter House, Inc. operates three shelters, two for homeless families and one shelter for victims of domestic violence in Fairfax County, Virginia. Shelter House, Inc. also operates seven off-site transitional housing units under the Rise Program, six units under the Stride Program, four units under the Off-site Program and a shared housing unit called Ives House. Shelter House, Inc. also provides the residents with counseling, life skills training, and other services to assist them in making an expeditious return to the community.

NOVACO, Inc. is a not-for-profit organization originally formed in 1999. The founding purpose was to provide transitional housing, support, and guidance to survivors of domestic abuse. NOVACO, Inc. offers supportive housing and services, job training, counseling and financial literacy to enable families to reach self-sufficiency through community collaboration. NOVACO, Inc. is wholly owned by Shelter House, Inc.

**Basis of consolidation:** The consolidated financial statements include the accounts of Shelter House, Inc. and NOVACO, Inc. (collectively referred to as “the Organization”). Because the organizations are under common control and an economic interest exists between them, they have been consolidated as required under accounting principles generally accepted in the United States of America. All intercompany accounts and transactions have been eliminated in consolidation.

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

**Basis of presentation:** The Organization classifies net assets and revenue based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets – undesignated** – net assets that are not subject to donor-imposed stipulations.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

**Unrestricted net assets – reserve fund** – net assets that are designated by the Board of Directors. The primary objective of the reserve fund is to sustain the Organization’s operations through a significant or unanticipated shortfall in funding. It was established to meet a short to mid-term funding crisis and is not intended to enable the Organization to continue operating on a long-term basis without their usual funding sources.

**Temporarily restricted net assets** – net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets** – net assets subject to donor-imposed stipulations that they be maintained permanently. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

**Cash and cash equivalents:** Cash and cash equivalents consist of demand deposits. The Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

**Accounts receivable:** The balance of accounts receivable includes all billed and unbilled costs incurred on government grants and contracts, which are earned within the respective period. All accounts receivable are stated at the amount management expects to collect for balances outstanding at year end. Management believes all accounts receivable are fully collectible, and therefore no allowance for doubtful accounts is recorded as of June 30, 2016 and 2015.

**Property and equipment:** Property and equipment purchases in excess of \$500 are capitalized and recorded at cost. Donated assets are capitalized at estimated fair value at the date of receipt. Depreciation and amortization is calculated on the straight line method over estimated useful lives of 39 years for buildings and 5-7 years for furniture and equipment. Leasehold improvements are amortized over the lesser of the lease term or their useful lives. At June 30, 2016 and 2015, depreciation and amortization expense was \$80,564 and \$63,411, respectively.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

**Impairment of long-lived assets:** The Organization does an impairment evaluation on the carrying value of its long-lived assets held for use based upon a comparison of the undiscounted future net cash flows for the assets to the net book value. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, and other factors. If the net book value is greater than the future undiscounted cash flows estimated, the Organization records an impairment adjustment to reduce the assets' cost basis to its fair value.

At June 30, 2016 and 2015, the Organization has performed a recoverability analysis of all long-lived assets and does not believe an impairment adjustment is required.

**Revenue recognition:**

**Government agencies** – Revenue from cost reimbursable grants are recognized to the extent of the Organization's corresponding expenditures on the basis of allowable direct and indirect costs. Government agency reimbursements and grants received in advance are reported as deferred revenue.

**Donated facilities, materials and services** – The Organization receives donated rent, utilities, telephone, some maintenance costs and services for the three shelters at no cost. Donated services are recorded when specialized skills are provided that would otherwise need to be purchased. These contributions are reported at their estimated fair value and included on the Consolidated Statements of Activities and Changes in Net Assets. These donated facilities, materials and services were expensed and included on the Consolidated Statements of Functional Expenses.

**Contributions and grant income** – The Organization recognizes all unconditional contributions and grant income received as income in the period in which the commitment is made. Unconditional contributions are reported as unrestricted, temporarily restricted or permanently restricted depending on the absence or existence of donor stipulations that limit the use of contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as released from restriction.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

**Events** - The Organization conducts a special event for fundraising in which the attendees receive a direct benefit. The funds raised are reported on the Statements of Activities and Changes in Net Assets net of the cost of the event which was \$6,389 and \$10,181 for the years ended June 30, 2016 and 2015, respectively.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income tax status:** Shelter House, Inc. and Subsidiary are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. They have been determined by the Internal Revenue Service not to be “private foundations” within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of June 30, 2016 and 2015, there were no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2013 through the current year remain open for examination by tax authorities.

**Estimates:** The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these consolidated financial statements through November 22, 2016, which is the date the consolidated financial statements were available to be issued.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

- 2. Capital lease**      The Organization is obligated under two capital leases for copiers. The first lease commenced in July 2011 and ended in August 2016. The second lease commenced in January 2013 and will end in February 2017. The following is a schedule by year of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of June 30, 2016:

Year Ending June 30,	Total
2017	\$      2,641
Less: discounted present value	(37)
<b>Total</b>	<b>\$      2,604</b>

The amount necessary to reduce the minimum lease payments to net present value is calculated at the interest rate implicit in both leases of 6.00%. The amount of the assets in the Consolidated Statements of Financial Position recorded under capital lease is as follows as of and for the year ended June 30:

	2016	2015
Leased office equipment under capital lease		
Original asset value	\$ <b>\$34,508</b>	\$    34,508
Less: accumulated amortization	<b>(30,737)</b>	(23,196)
<b>Net book value at end of year</b>	<b>3,771</b>	11,312
Amortization expense	<b>\$    7,541</b>	\$    7,541

- 3. Line of credit**      NOVACO, Inc. has a revolving line of credit in the amount of \$30,000 with a bank in Virginia, collateralized by a checking account held with the bank. Advances bear interest at the Wall Street Journal Prime Rate plus 2.5% (6.00% at June 30, 2016). Interest is payable monthly. At June 30, 2016 and 2015, there were no outstanding balances on the line of credit.



## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### 4. Note payable

NOVACO, Inc. entered into an agreement with Fairfax County Redevelopment and Housing Authority (“FCRHA”) whereby NOVACO, Inc. was awarded Federal HOME Program Community House Development Organization (CHDO) Funds to acquire transitional housing for victims of domestic abuse. During March 2012, NOVACO, Inc. exercised the first part of that agreement and purchased property in Centreville, Virginia. NOVACO, Inc. was granted a \$203,000 HOME loan deferred for 30 years at a 0% interest rate to be repaid in the event the property is either sold or no longer used for affordable rental housing. After the end of the 30 year period, NOVACO, Inc. will be indebted for the equity share if the property is sold or no longer used for affordable housing.

The loan contains various covenants, which include a debt coverage ratio, a dedicated operating reserve account, contributions annually to the replacement reserve account and annual audited financials.

#### 5. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

	2016	2015
Restricted as to purpose		
Patrick Henry Shelter	\$ 2,256	\$ 20,096
Katherine Hanley Shelter	2,375	1,161
Artemis House Shelter	242,098	18,245
NOVACO, Inc.	12,626	34,439
Management	30,937	57,000
Housing and support	32,751	41,221
<b>Total temporarily restricted net assets</b>	<b>\$ 323,043</b>	<b>\$ 172,162</b>

Temporarily restricted releases by program during the year ended June 30, 2016 and 2015 were as follows:

	2016	2015
Patrick Henry Shelter	\$ 47,612	\$ 70,350
Katherine Hanley Shelter	35,437	10,136
Artemis House Shelter	229,491	90,659
NOVACO, Inc.	73,414	72,596
Management	59,783	13,000
Housing and support	24,249	71,222
<b>Total releases by program</b>	<b>\$ 469,986</b>	<b>\$ 327,963</b>

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### **6. Donated facilities**

Fairfax County provides facilities, utilities, telephone and some maintenance costs to the three emergency shelters at no cost to the Organization. These shelter facilities are owned or leased by Fairfax County and occupied by the Organization. The Patrick Henry shelter facility is approximately 6,400 square feet with 4,400 square feet added under the Family Resource Center. The Katherine Hanley family shelter is approximately 16,000 square feet. The Artemis House Shelter is approximately 8,500 square feet. The fair value of donated facilities for the years ended June 30, 2016 and 2015 were estimated at \$941,280, which is included in both revenue and program services expense on the Consolidated Statements of Activities and Changes in Net Assets.

#### **7. Donated services**

In 2015, the Organization received donated services with a fair value of \$1,500 related to legal expenses. There were no donated services received in 2016. The donated services are reflected as a component of donated facilities, materials and services on the Consolidated Statements of Activities and Changes in Net Assets. In addition, the Organization receives significant volunteer hours each year which do not meet the requirements for financial statement recognition as many individuals volunteer their time and perform a variety of tasks that assist the Organization at its shelters.

#### **8. Operating leases**

The Organization has entered into lease agreements with Fairfax County to operate three shelter facilities. The annual lease payment for the Patrick Henry shelter is one dollar and the lease was effective for five years, beginning June 12, 1986. There is a provision for an indefinite number of one-year extensions beyond the initial five-year lease period. The Organization is currently leasing this facility on a one-year extension. The Katherine Hanley shelter lease runs concurrently with the service contract beginning May 31, 2007, and is extended annually. The lease is renewed automatically at the time the service contract is renewed. No annual lease payment for the Katherine Hanley shelter is required. The Artemis House shelter lease runs concurrently with the service contract beginning January 2010. No annual lease payment for the Artemis House shelter is required. The Organization records the estimated fair value of the donated space for these facilities as disclosed in Note 6.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

The Organization is obligated under two leases. The first lease is for office space in Reston, Virginia and terminates on January 31, 2019. The lease provides for fixed annual increases during the lease term as well as a two month abatement. A deferred rent liability is recorded for the difference between the pro rata expense recognized and the total amounts paid to date under the lease. The second lease, for Ives House, commenced on March 12, 2013 and terminated after three years on March 12, 2016. As of June 30, 2016, the Organization continues to rent the Ives House property on a month to month basis until a long term agreement can be established. Future minimum lease payments under these leases are as follows for the years ending June 30:

Year ending June 30,	Total
2017	\$ 57,556
2018	59,858
2019	35,891
<b>Total</b>	<b>\$ 153,305</b>

Total rent expense was \$54,554 for the years ended June 30, 2016 and 2015.

**9. Retirement plan** The Organization sponsors a 401(k) retirement plan for its employees. The plan calls for a 50 percent match of employee contributions up to four percent of each employee's salary. Employees are fully vested after two years of participation in the plan. For the years ended June 30, 2016 and 2015, the organization contributed \$40,457 and \$38,891, respectively.

**10. Concentration** For the years ended June 30, 2016 and 2015, 61% and 74%, respectively, of the Organization's revenue (excluding revenue recognized for donated facilities, materials and services) was derived from Fairfax County. At June 30, 2016 and 2015, 87% and 81%, respectively, of the Organization's accounts receivable was due from Fairfax County. Five of the largest material contracts with Fairfax County to run the shelters below comprised 52% and 65% of revenue (excluding revenue recognized for donated facilities) for the years ended June 30, 2016 and 2015. The remaining revenue from Fairfax County is comprised of a number of smaller one-year contracts that fund discretionary services that could be discontinued if the contracts are not renewed. The Organization expects the contracts to be renewed and they have been continuously renewed since contract origination. The table below reflects contract terms for the five material contracts.

## Shelter House, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

	Patrick Henry Shelter	Katherine Hanley Shelter	Artemis House Shelter	Case Management/Housing Location Program	
				Region II	Region IV
Contract origination	7/1/2006	3/5/2007	9/1/2009	7/1/2012	7/1/2012
Current expiration date	6/30/2018	6/30/2018	6/30/2018	6/30/2018	6/30/2018
Revenue for the year ended 6/30/2016	\$513,214	\$1,072,194	\$692,599	\$361,501	\$604,635
Percentage of total revenue less in-kind	8%	17%	11%	6%	10%