

CARPENTER'S SHELTER, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

CARPENTER'S SHELTER, INC.

Table of Contents

June 30, 2023

Table of Contents

| | |
|---|---------|
| Independent Auditor's Report..... | 1 – 3 |
| <i>Audited Financial Statements</i> | |
| Statement of Financial Position..... | 4 |
| Statement of Activities..... | 5 |
| Statement of Functional Expenses..... | 6 |
| Statement of Cash Flows..... | 7 |
| Notes to Financial Statements..... | 8 – 15 |
| <i>Supplemental Information</i> | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 16 – 17 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance..... | 18 – 20 |
| Schedule of Expenditures of Federal Awards..... | 21 |
| Notes to Schedule of Expenditures of Federal Awards..... | 22 |
| Schedule of Findings and Questioned Costs..... | 23 – 24 |
| Schedule of Prior Year Findings and Questioned Costs..... | 25 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Carpenter's Shelter, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Carpenter's Shelter, Inc. (the Shelter), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Shelter as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Shelter and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Shelter's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Shelter'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 Shelter'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024, on our consideration of the Shelter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shelter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelter's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Shelter's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
March 12, 2024

CARPENTER'S SHELTER, INC.

Statement of Financial Position

June 30, 2023

(With Summarized Comparative Information for 2022)

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 16,494 | \$ 164,997 |
| Restricted cash – residents' account | 8,655 | 10,307 |
| Grants and pledges receivable | 374,140 | 208,067 |
| Investments | 6,875,228 | 4,854,782 |
| Prepaid expenses | 29,950 | 15,654 |
| Property and equipment, net | <u>5,189,619</u> | <u>5,390,899</u> |
| Total assets | <u>\$ 12,494,086</u> | <u>\$ 10,644,706</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 87,501 | \$ 170,086 |
| Accrued paid leave | 71,442 | 54,898 |
| Residents' account | <u>8,655</u> | <u>10,307</u> |
| Total liabilities | <u>167,598</u> | <u>235,291</u> |
| Net Assets | | |
| Without donor restrictions | 10,552,325 | 10,349,671 |
| With donor restrictions | <u>1,774,163</u> | <u>59,744</u> |
| Total net assets | <u>12,326,488</u> | <u>10,409,415</u> |
| Total liabilities and net assets | <u>\$ 12,494,086</u> | <u>\$ 10,644,706</u> |

See accompanying notes.

CARPENTER'S SHELTER, INC.

Statement of Activities

Year Ended June 30, 2023

(With Summarized Comparative Information for 2022)

| | 2023 | | 2022 | |
|---|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenue and Support | | | | |
| Contributions of cash and other financial assets | \$ 2,063,922 | \$ 2,501,468 | \$ 4,565,390 | \$ 1,900,155 |
| Government grants | 1,777,067 | - | 1,777,067 | 1,537,377 |
| Contributions of nonfinancial assets | 272,231 | - | 272,231 | 248,254 |
| Contributed services | 20,000 | - | 20,000 | 20,500 |
| Net investment income (loss) | 420,014 | - | 420,014 | (679,452) |
| Other income | - | - | - | 9,186 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 787,049 | (787,049) | - | - |
| Total revenue and support | 5,340,283 | 1,714,419 | 7,054,702 | 3,036,020 |
| Expenses | | | | |
| Program services: | | | | |
| Shelter services | 4,066,315 | - | 4,066,315 | 3,240,776 |
| Total program services | 4,066,315 | - | 4,066,315 | 3,240,776 |
| Supporting services: | | | | |
| Management and general | 337,244 | - | 337,244 | 246,873 |
| Fundraising | 734,070 | - | 734,070 | 588,084 |
| Total supporting services | 1,071,314 | - | 1,071,314 | 834,957 |
| Total expenses | 5,137,629 | - | 5,137,629 | 4,075,733 |
| Change in Net Assets | 202,654 | 1,714,419 | 1,917,073 | (1,039,713) |
| Net Assets , beginning of year | 10,349,671 | 59,744 | 10,409,415 | 11,449,128 |
| Net Assets , end of year | \$ 10,552,325 | \$ 1,774,163 | \$ 12,326,488 | \$ 10,409,415 |

See accompanying notes.

CARPENTER'S SHELTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

(With Summarized Comparative Information for 2022)

| | 2023 | | | | 2022 | |
|-----------------------------------|---------------------|------------------------|-------------------|---------------------------|---------------------|---------------------|
| | Program Services | Supporting Services | | Total Supporting Services | Total | Total |
| | Shelter Services | Management and General | Fundraising | | | |
| Salaries and related expenses | \$ 1,696,473 | \$ 140,564 | \$ 363,573 | \$ 504,137 | \$ 2,200,610 | \$ 1,953,699 |
| Scholarship and assistance | 1,477,884 | - | - | - | 1,477,884 | 794,887 |
| Facility and equipment expenses | 346,927 | 53,623 | 14,035 | 67,658 | 414,585 | 420,774 |
| Fundraising supplies and expenses | - | - | 298,425 | 298,425 | 298,425 | 243,798 |
| Donated meals and materials | 272,231 | - | - | - | 272,231 | 248,254 |
| Professional services | 60,067 | 103,520 | 17,872 | 121,392 | 181,459 | 111,641 |
| Dues, fees, and subscriptions | 34,088 | 24,435 | 3,381 | 27,816 | 61,904 | 62,503 |
| Office expenses | 24,702 | 3,790 | 33,395 | 37,185 | 61,887 | 63,174 |
| Resident activities | 47,226 | - | - | - | 47,226 | 34,532 |
| Insurance | 31,499 | 5,509 | 2,124 | 7,633 | 39,132 | 64,025 |
| Client food and supplies | 28,737 | - | - | - | 28,737 | 31,823 |
| Travel and transportation | 22,938 | - | 458 | 458 | 23,396 | 11,057 |
| Donated professional services | 20,000 | - | - | - | 20,000 | 20,500 |
| Conference and meetings | 188 | 3,247 | 188 | 3,435 | 3,623 | 2,068 |
| Other expenses | 3,355 | 2,556 | 619 | 3,175 | 6,530 | 12,998 |
| Total Expenses | \$ 4,066,315 | \$ 337,244 | \$ 734,070 | \$ 1,071,314 | \$ 5,137,629 | \$ 4,075,733 |

See accompanying notes.

CARPENTER'S SHELTER, INC.

Statement of Cash Flows

Year Ended June 30, 2023

(With Summarized Comparative Information for 2022)

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 1,917,073 | \$ (1,039,713) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 222,066 | 177,951 |
| Net realized and unrealized (gain) loss on investments | (303,656) | 746,826 |
| Change in operating assets and liabilities: | | |
| Grants and pledges receivable | (166,073) | 9,708 |
| Prepaid expenses | (14,296) | 8,871 |
| Accounts payable and accrued expenses | (82,585) | 79,206 |
| Accrued paid leave | 16,544 | (11,197) |
| Residents' account | (1,652) | 1,187 |
| Net cash provided by (used in) operating activities | <u>1,587,421</u> | <u>(27,161)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sales of investments | 804,868 | 344,233 |
| Purchases of investments | (2,521,658) | (590,659) |
| Purchases of property and equipment | (20,786) | (11,762) |
| Net cash used in investing activities | <u>(1,737,576)</u> | <u>(258,188)</u> |
| Net Decrease in Cash and Cash Equivalents | (150,155) | (285,349) |
| Cash, Cash Equivalents and Restricted Cash, beginning of year | <u>175,304</u> | <u>460,653</u> |
| Cash, Cash Equivalents and Restricted Cash, end of year | <u>\$ 25,149</u> | <u>\$ 175,304</u> |

See accompanying notes.

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

1. Nature of Operations

Carpenter's Shelter, Inc. (the Shelter) was established in 1988 as an emergency shelter to respond to the growing need for temporary housing for individuals who were homeless in Alexandria, Virginia. Since 1988, the Shelter has evolved to include comprehensive programs and services that promote self-sufficiency for families and individuals in an environment of dignity and caring. The Shelter is guided by a strategic plan and direction that believes homelessness is a lack of housing and that anyone homeless is ready to be housed. The past few fiscal years have included the COVID-19 health pandemic, which has tested many existing approaches to moving people successfully back to permanent housing. Amid that, the Shelter remained open and continued its purpose for those in need. The Shelter's activities are primarily supported through contributions and grants.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Shelter have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recorded as obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less. Excluded from this definition are cash and money market funds held in long-term investment portfolios.

Restricted Cash – Residents' Account

The Shelter maintains a separate cash escrow account in which funds are held on behalf of residents. These funds are exclusively held for the residents and are not available to pay the Shelter's expenses. The Shelter holds these funds for residents until their departure from the Shelter or upon request to withdraw funds while in the Shelter. At June 30, 2023, residents' funds held were \$8,655.

Grants and Pledges Receivable

Grants and pledges receivable represent uncollected federal and state government grants and other grants and contributions. The balance of grants and pledges receivable at June 30, 2023 has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

2. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of cash and money market funds, equity funds, and fixed income funds. Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment income is presented net of investment advisory and management fees on the accompanying statement of activities. Net realized and unrealized gains or losses on investments are included in net investment income.

Property and Equipment

Property and equipment over \$3,000 with a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense on the accompanying statement of activities.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Shelter's operations.
- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Shelter did not have any donor-imposed restrictions which are perpetual in nature at June 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and Contributions

The majority of the Shelter's revenue is received through contributions and grants considered to be contributions including federal grants. Unconditional grants and contributions are recognized upon receipt or notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Grants and contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions.

Grants and contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. The Shelter adopted the simultaneous release option for donor-restricted conditional grants and contributions that are recognized and used within the same reporting period, therefore, these amounts are reported as without donor restrictions. Revenue recognized on grants and contributions, but have not been received, is included in grants and pledges receivable on the accompanying statement of financial position. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances on the accompanying statement of financial position. The Shelter had approximately \$425,370 in unrecognized conditional awards at June 30, 2023.

Donated marketable securities and other non-cash financial assets are recorded as contributions at their estimated fair market values at the date of donation. The Shelter's policy is to sell donated securities and other non-cash financial assets as soon as practical.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets include donated meals, and materials. Contributions of nonfinancial assets are recognized as revenue and expense on the accompanying statement of activities at their estimated fair value at the date of receipt. All contributions of nonfinancial assets were used for the Shelter's program services and are included under Shelter Services on the accompanying statement of functional expenses. Unless noted, contributed nonfinancial assets did not have donor-imposed restrictions. See Note 8 for additional information on contributions of nonfinancial assets.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Shelter. Professional services include donated medical services, consulting and accounting services. The Shelter receives other contributed services from volunteers, including board and committee members, who contributed approximately 12,000 hours of their time to the Shelter. These services do not meet the requirement under GAAP to be recognized as contributions in the financial statements, therefore, excluded from the accompanying statement of activities.

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Shelter incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Shelter also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as level of direct cost or time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, facility and equipment expenses, professional services, dues, fees and subscriptions, office expenses, insurance, and other expenses.

Summarized Comparative Information

The accompanying financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Shelter's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

3. Concentrations

The Shelter's cash is held in accounts at certain commercial financial institutions, the aggregate balance of these, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limit per depositor, per institution. The Shelter has not experienced any losses on its cash deposits to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

The Shelter invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. Therefore, the Shelter's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported on the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Revenue and support from two sources accounted for approximately 48% of the Shelter's revenue and support for the year ended June 30, 2023.

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

4. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the accompanying statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows. These restricted cash funds are exclusively held for the residents and are not available to pay the Shelter's expenses.

| | | |
|---|----|---------------|
| Cash and cash equivalents | \$ | 16,494 |
| Restricted cash | | <u>8,655</u> |
| Total cash, cash equivalents, and restricted cash | \$ | <u>25,149</u> |

5. Investments

Investments consist of the following at June 30, 2023:

| | | |
|-----------------------------|----|------------------|
| Cash and money market funds | \$ | 946,382 |
| Certificates of deposit | | 1,519,860 |
| Equity funds | | 2,803,230 |
| Fixed income funds | | <u>1,605,756</u> |
| Total investments | \$ | <u>6,875,228</u> |

6. Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In order to increase consistency and comparability in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability.

The three levels of the fair value hierarchy are described as follows:

- *Level 1 – Based on unadjusted, quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.*
- *Level 2 – Based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.*
- *Level 3 – Based on unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining fair value.*

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

6. Fair Value Measurements (continued)

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments at June 30, 2023:

| | Level 1 | Total |
|---------------------------------|---------------------|---------------------|
| Cash and money market fund | \$ 946,382 | \$ 946,382 |
| Certificates of deposit | 1,519,860 | 1,519,860 |
| Equity funds | 2,803,230 | 2,803,230 |
| Fixed income funds | 1,605,756 | 1,605,756 |
| Total investments at fair value | <u>\$ 6,875,228</u> | <u>\$ 6,875,228</u> |

7. Property and Equipment

The Shelter held the following property and equipment on June 30, 2023:

| | |
|--------------------------------|---------------------|
| Land - shelter | \$ 45,000 |
| Facility - shelter | 5,226,495 |
| Furniture and fixtures | 271,180 |
| Vehicles | <u>99,560</u> |
| Total property and equipment | 5,642,235 |
| Less: accumulated depreciation | <u>(452,616)</u> |
| Property and equipment, net | <u>\$ 5,189,619</u> |

8. Contributions of Nonfinancial Assets

During the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included:

| | |
|--|-------------------|
| Meals | \$ 159,696 |
| Materials | <u>112,535</u> |
| Total contributions of nonfinancial assets | <u>\$ 272,231</u> |

Donated meals include the provision of three meals a day for residents of the Shelter. The value of the meals is estimated each month based on the number of days in the month and the average number of individuals served at each meal.

Donated materials consist of various home goods, toys and supplies, and gift cards. Revenue is recorded at fair market value or estimated fair market value of goods received.

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

9. Liquidity and Availability of Resources

The following schedule reflects the Shelter's financial assets as of June 30, 2023, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

| | |
|--|---------------------|
| Financial Assets: | |
| Cash and cash equivalents | \$ 16,494 |
| Grants and pledges receivable | 374,140 |
| Investments | <u>6,875,228</u> |
| Total financial assets | 7,265,862 |
| Less amounts unavailable for general expenditures within one year due to: | |
| Donor-imposed restrictions on the financial assets | <u>(1,774,163)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,491,699</u> |

The Shelter's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due, operating within a prudent range of financial soundness and stability while maintaining and monitoring reserves to provide reasonable assurance that long-term program goals will continue to be met.

10. Office of Management and Budget Uniform Guidance and Indirect Costs

The Shelter has instructed its independent auditor to audit its applicable federal programs for the year ended June 30, 2023, in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until the audit is reviewed and accepted by the applicable government agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or pass-through agencies of the independent auditor's reports for the year ended June 30, 2023, will not have a material effect on the Shelter's financial position at June 30, 2023, or its results of operations for the year then ended.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at June 30, 2023:

| | |
|--|---------------------|
| Subject to expenditures for specific purposes: | |
| Shelter services | \$ 1,736,418 |
| Capital campaign | <u>37,745</u> |
| Total net assets with donor restrictions | <u>\$ 1,774,163</u> |

CARPENTER'S SHELTER, INC.

Notes to Financial Statements

June 30, 2023

11. Net Assets With Donor Restrictions (continued)

During the year ended June 30, 2023, releases from net assets with donor restrictions were for the following:

| | |
|---|-------------------|
| Satisfaction of purpose restrictions: | |
| Shelter services | \$ 763,582 |
| Capital campaign | <u>23,467</u> |
| Total net assets released from donor restrictions | <u>\$ 787,049</u> |

12. Retirement Plan

The Shelter sponsored a defined contribution 403(b) plan (the Plan) to provide benefits to all eligible employees who meet age and length of service requirements. Under the Plan, the Shelter matched an employee's contribution up to 2% of the employee's annualized compensation. The employer contribution to the Plan was approximately \$13,000 during the year ended June 30, 2023.

13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Shelter is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2023, as the Shelter had no material taxable net unrelated business income.

The Shelter follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Shelter's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Shelter performed an evaluation of uncertain tax positions for the year ended June 30, 2023 and determined that there were no matters that would require recognition on the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Shelter files tax returns.

14. Subsequent Events

In preparing these financial statements, the Shelter has evaluated events and transactions for potential recognition or disclosure through March 12, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Carpenter's Shelter, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Carpenter's Shelter, Inc. (the Shelter), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Shelter's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelter's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shelter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

The Shelter's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Shelter's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Shelter's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shelter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HAN GROUP LLC
Washington, DC
March 12, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Carpenter's Shelter, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Carpenter's Shelter, Inc. (the Shelter)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Shelter's major federal programs for the year ended June 30, 2023. The Shelter's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Shelter complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Shelter and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Shelter's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Shelter's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Shelter's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Shelter's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Shelter's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Shelter's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
March 12, 2024

CARPENTER'S SHELTER, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor / Pass Through Entity / Program Title | Agency / Grant Number | Federal CFDA Number | Expenditures |
|--|-----------------------|---------------------------|-------------------|
| U.S. Department of Housing | | | |
| <i>Pass-through entity: Virginia Department of Housing and Community Development</i> | | | |
| COVID Homelessness Emergency Response Program Funding | E-20-DW-51-0001 | 14.231 | \$ 419,336 |
| Virginia Homeless Solutions Program | E-20-DC-51-0001 | 14.231 | 241,797 |
| <i>Pass-through entity: New Hope Housing</i> | | | |
| Continuum of Care Program | VA0121L3G031911 | 14.267 | <u>202,265</u> |
| Total U.S. Department of Housing | | | <u>863,398</u> |
| U.S Department of Agriculture | | | |
| State Administrative Expenses for Child Nutrition | N/A | 10.560 | <u>18,622</u> |
| Total U.S. Department of Agriculture | | | <u>18,622</u> |
| U.S Department of Homeland Security | | | |
| <i>Pass-through entity: Alexandria Emergency Food and Shelter Program</i> | | | |
| Emergency Food and Shelter Program | N/A | 97.024 | <u>22,500</u> |
| Total U.S. Department of Homeland Security | | | <u>22,500</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 904,520</u> |

See accompanying notes to this schedule.

CARPENTER'S SHELTER, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activities of Carpenter's Shelter, Inc. (the Shelter) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Shelter, it is not intended to, and does not, present the financial position, changes in net assets, or cash flow of the Shelter.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Shelter has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

I. Summary of Auditor's Results

Financial Statements

- Type of auditor's report issued: **Unmodified**
- Internal control over financial reporting:
 - Material weakness(es) identified: **No**
 - Significant deficiency(ies) identified that are not considered to be material weakness(es): **Yes**
- Noncompliance which is material to the financial statements noted: **No**

Federal Awards

- Internal control over major federal programs:
 - Material weakness(es) identified: **No**
 - Significant deficiency(ies) identified that are not considered to be material weakness(es): **No**
- Type of auditor's report issued on compliance for major federal programs: **Unmodified**
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): **No**
- Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 14.231 | COVID Homelessness Emergency Response Program Funding |
| 14.231 | Virginia Homeless Solutions Program |

- Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
- Auditee qualified as low-risk auditee: **Yes**

CARPENTER'S SHELTER, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

II. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

Finding 2023-001 – Significant Deficiency

Criteria or Specific Requirements: Internal controls should be established to ensure that the schedule of expenditures of federal awards (SEFA) is both complete and accurate, in accordance with the Uniform Guidance, AT 2 CFR section 200.508(b).

Condition: The Shelter omitted expenditures for certain federal awards from the SEFA.

Cause: The omission of expenditures stemmed from a misunderstanding regarding the funding source, compounded by a failure to conduct a comprehensive review of grant agreements.

Context: The omission of expenditures of certain federal funding from the SEFA, as they were mistakenly categorized as state funding.

Effect: Misstatement of the SEFA by \$295,478.

Questioned Costs: None noted

Repeat Finding: No similar findings were noted in the prior year.

Perspective Information: None.

Recommendations: To mitigate future discrepancies in the SEFA, it's imperative for the Shelter to enhance its internal controls by implementing a comprehensive review process for grant agreements to accurately identify funding sources and compliance requirements. Additionally, establishing clear guidelines and providing training to staff members on federal reporting requirements will ensure accurate SEFA preparation.

Views of Responsible Officials and Planned Corrective Actions: During the year ended June 30, 2023, the Shelter received additional funding which was initially categorized as state funding based on informal information from the state agency. However, upon reviewing the grant agreement and as pointed out by the auditor, we now recognize that the funding source is federal. To address this oversight, the Shelter will conduct a thorough review of its accounting policies and procedures in collaboration with the accounting firm to ensure effective controls are in place for accurate financial reporting, including the accuracy and completeness of the SEFA. This will involve regular consultations to enhance financial reporting practices, both on a monthly and year-end basis, in alignment with Uniform Guidance standards. Additionally, the accounting firm and the grant manager will promptly receive the grant agreement and perform a thorough review to avoid such miscategorization and ensure that all required compliances are identified and adhered to. This proactive approach aims to prevent future errors and maintain compliance with regulatory requirements.

III. Findings and Questioned Costs Relating to Federal Awards: None Reported

CARPENTER'S SHELTER, INC.

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2023

IV. Schedule of Prior Audit Findings:

Finding 2022-001 – Control Over Payroll Costs

U.S. Department of Housing (CFDA #14.231, Emergency Solutions Grant Program)

Type of Finding: Federal award Finding - Payroll costs charged to federal awards should be reviewed and approved by a responsible party.

Condition: Payroll costs charged to the federal award did not agree with the payroll costs in the accounting system or payroll reports.

Cause: Tracking for federal expenditures is kept outside of the accounting system and reports from the accounting system are not reconciled regularly with the federal submissions.

Context and Effect: Each month, the grant submissions include payroll transactions. 3 of 83 transactions tested did not reflect the actual amount paid to the employee. The net impact of the errors was immaterial, but the errors indicate a control deficiency in accurately reporting payroll costs.

Questioned Costs: Unknown.

Status of Finding as of June 30, 2023: No Similar findings noted.