

COMMITTEE ON THE SHELTERLESS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Committee on the Shelterless
Petaluma, California

Report on the Financial Statements

We have audited the accompanying financial statements of Committee on the Shelterless (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Committee on the Shelterless as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Committee on the Shelterless financial statements for the year ended June 30, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

January 17, 2018

Santa Rosa, California

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

(With summarized comparative totals for June 30, 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,486,911	\$ 486,998
Grants receivable	75,753	98,863
Promises to give, net of allowance for uncollectible promises of \$30,000	326,090	413,699
Prepaid expenses	24,785	29,166
Total current assets	1,913,539	1,028,726
Fixed assets:		
Mary Isaak Center (MIC)	4,845,672	4,845,672
Real property	471,993	471,993
Capitalized interest - MIC	27,384	27,384
Leasehold improvements	603,474	584,018
Furniture, fixtures and equipment	252,952	252,952
Vehicles	84,542	84,542
Subtotal	6,286,017	6,266,561
Less accumulated depreciation	(3,033,843)	(2,895,838)
Net fixed assets	3,252,174	3,370,723
Other assets:		
Promises to give, net of current portion and discounts	310,841	256,309
Investments	1,885,259	1,670,316
Deposits	52,995	26,985
Total other assets	2,249,095	1,953,610
Total assets	\$ 7,414,808	\$ 6,353,059

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

(With summarized comparative totals for June 30, 2016)

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 262,886	\$ 232,763
Deferred revenue	-	816
Total current liabilities	262,886	233,579
Total liabilities	262,886	233,579
Net assets		
Unrestricted:		
Undesignated	2,218,458	1,721,832
Board-designated	450,000	450,000
Total unrestricted	2,668,458	2,171,832
Temporarily restricted	2,857,694	2,321,878
Permanently restricted	1,625,770	1,625,770
Total net assets	7,151,922	6,119,480
Total liabilities and net assets	\$ 7,414,808	\$ 6,353,059

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With summarized comparative information for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
Support:					
Contributions	\$ 1,616,507	\$ 18,517		\$ 1,635,024	1,136,429
Grants	1,274,596	851,265		2,125,861	1,522,419
Contract revenue	173,235	-		173,235	81,058
In-kind contributions	1,344,053	-		1,344,053	1,334,209
Total public support	<u>4,408,391</u>	<u>869,782</u>		<u>5,278,173</u>	<u>4,074,115</u>
Revenue:					
Rental income	363,763	-		363,763	323,265
Other income	2,108	-		2,108	669
Net assets released from restriction	333,966	(333,966)		-	-
Total other revenue	<u>699,837</u>	<u>(333,966)</u>		<u>365,871</u>	<u>323,934</u>
Total support and revenue	<u>5,108,228</u>	<u>535,816</u>		<u>5,644,044</u>	<u>4,398,049</u>
Expenses:					
Program services					
Food programs	1,333,677			1,333,677	1,500,258
Emergency shelter	837,128			837,128	766,916
Transitional housing	387,923			387,923	625,973
Permanent supportive housing	658,609			658,609	462,310
Supportive services	640,980			640,980	513,998
Total program expenses	<u>3,858,317</u>			<u>3,858,317</u>	<u>3,869,455</u>
Supporting services:					
Administration	493,213			493,213	542,452
Fundraising	437,722			437,722	451,962
Total expenses	<u>4,789,252</u>			<u>4,789,252</u>	<u>4,863,869</u>
Change in net assets from operations	<u>318,976</u>	<u>535,816</u>	<u>-</u>	<u>854,792</u>	<u>(465,820)</u>
Other income:					
Net investment income	<u>177,650</u>	<u>-</u>	<u>-</u>	<u>177,650</u>	<u>(35,699)</u>
Change in net assets	<u>496,626</u>	<u>535,816</u>	<u>-</u>	<u>1,032,442</u>	<u>(501,519)</u>
Net assets, beginning of year	<u>2,171,832</u>	<u>2,321,878</u>	<u>1,625,770</u>	<u>6,119,480</u>	<u>6,596,542</u>
Net assets, end of year	<u>\$ 2,668,458</u>	<u>\$ 2,857,694</u>	<u>\$ 1,625,770</u>	<u>\$ 7,151,922</u>	<u>\$ 6,095,023</u>

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

(With summarized comparative information for the year ended June 30, 2016)

	Food	Emergency	Transitional	Permanent	Supportive	Total	Management		2017	2016
	Programs	Shelter	Housing	Supportive	Supportive	Program	and General	Fundraising	Total	Total
				Housing	Services					
Personnel Expense	\$ 98,880	\$ 511,173	\$ 131,334	\$ 138,153	\$ 381,418	\$1,260,958	\$ 503,259	\$ 283,273	\$2,047,491	\$ 1,985,752
Operating Expense	56,537	137,373	142,973	482,270	74,911	894,064	116,363	123,199	1,133,626	1,058,437
Program expenses	1,174,121	52,156	16,156	28,917	169,488	1,440,838	11,168	-	1,452,006	1,459,739
Uncollectible pledges/Bad Debt Exp	-	-	-	-	-	-	-	18,125	18,125	32,733
Site services allocation	36,546	52,995	41,548	-	7,626	138,715	(144,678)	5,964	-	-
Information services allocation	138	234	76	80	570	1,098	(1,434)	336	-	-
Subtotal	1,366,222	753,931	332,087	649,420	634,014	3,735,674	484,678	430,897	4,651,248	4,536,661
Depreciation and amortization	(32,545)	83,197	55,836	9,189	6,966	122,643	8,535	6,825	138,003	302,751
Total expenses	<u>\$1,333,677</u>	<u>\$ 837,128</u>	<u>\$ 387,923</u>	<u>\$ 658,609</u>	<u>\$ 640,980</u>	<u>\$3,858,317</u>	<u>\$ 493,213</u>	<u>\$ 437,722</u>	<u>\$4,789,251</u>	<u>\$4,839,412</u>

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

(With summarized comparative information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,032,442	\$ (477,062)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	138,004	302,751
Realized and unrealized gain on investments	165,197	56,251
(Increase) decrease in:		
Grants receivable	23,110	87,876
Promises to give	33,077	104,185
Other receivables	-	100
Prepaid expenses	4,381	3,553
Deposits	(26,010)	1,075
Increase (decrease) in:		
Accounts payable and accrued expenses	30,123	(35,409)
Deferred revenue	(816)	(49,184)
Total cash provided (used) by operations	<u>1,399,509</u>	<u>(5,864)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments held	(380,140)	(20,393)
Purchase of property and equipment	(19,455)	(67,890)
Total cash used by investing activities	<u>(399,595)</u>	<u>(88,283)</u>
NET CHANGE IN CASH	999,914	(94,147)
CASH AND CASH EQUIVALENTS, beginning of year	<u>486,998</u>	<u>581,145</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,486,912</u>	<u>\$ 486,998</u>

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 ORGANIZATION

Committee on the Shelterless (COTS) organized as a nonprofit corporation in 1988. COTS serves over 2,400 children and adults total, with 1,200 sheltered & housed, in 326 beds. Each year providing emergency food by serving over 137,000 meals, as well as providing shelter, transitional housing, and permanent supportive housing located in Petaluma and Rohnert Park, California. COTS achieves program excellence through the development and implementation of programs and supportive services informed by research into Adverse Childhood Experiences (ACEs) and Resiliency Theory (RT), structured within a framework developed by Restorative Integral Support (RIS). COTS reach and effectiveness can be felt across Sonoma County. COTS is primarily supported by public and private monies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – COTS reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of COTS to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by COTS to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are “released” to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, COTS reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – COTS considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

COTS maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, COTS held cash and cash equivalent balances in excess of federally insured limits. At June 30, 2017, the balance over the FDIC limit is \$986,911.

Accounts receivable – Accounts receivable are monies due from county agencies for services performed the prior month. Management has created an allowance based on historical collectability after county reconciliation of the cost settlement reports.

Promises to give receivable – Promises to give receivable is the amount remaining from promises issued by donors each year. Management has reviewed the historical collectability of the promises and set up an allowance. All promises in excess of twelve months is discounted at a rate determined by management.

Investments – Investments are made up of stocks, mutual funds, treasury funds and certificates of deposits and are reported at their fair values in the statement of financial position. The fair value of the equities securities are based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

Fair Value Measures – COTS reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures, continued – The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Fixed Assets – Fixed assets are carried at cost or at estimated fair market value at date of donation or purchase. Depreciation is calculated using the straight-line method over the useful life of the asset. Property and equipment acquired by COTS is deemed to be owned by COTS; however, funding sources may maintain an equitable interest in the property acquired with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. Property and equipment acquired with explicit restrictions regarding their use are reported as restricted support, absent donor stipulations regarding how long-lived donated assets must be maintained, COTS reports expirations of donor restrictions when the donated or acquired property is placed into service. COTS reclassified temporarily restricted net assets to unrestricted net assets at that time. It is COTS policy to capitalize assets over \$5,000.

Income Taxes – COTS is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701(d). Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined COTS is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of COTS considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to COTS status as a not-for-profit entity. Management believes COTS met the requirements to maintain its tax-exempt status and has not income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. COTS tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued – COTS evaluation on June 30, 2017 revealed no tax positions that would have a material impact on the financial statements. COTS does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services.

Donated Services and Items – Some people have contributed amounts of time and inventory to the activities of COTS without compensation. The financial statements do not reflect the value of those contributed services and items because no reliable basis exists for determining an appropriate valuation.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with COTS financial statements for the year ended June 30, 2016, from which the summarized information was derived.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 PROMISES TO GIVE

Unconditional promises to give consist of the following:

City of Petaluma, value of facilities	\$ 183,426
Private Parties	<u>453,505</u>
Total (current and long term)	<u>\$ 636,931</u>

The value of the facilities provided under the lease with the City of Petaluma was estimated by COTS management and the landlord based on comparable market rents. Financial reporting reflects discounts of \$31,054 to net present value, and allowance for uncollectible promises of \$36,000. Bad debt expense for the year ended June 30, 2017 was \$18,125.

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

In 2003, COTS opened an endowment fund with Community Foundation of Sonoma County (CFSC), a 501(c)(3) organization. The nature of the funds held by CFSC are investment funds held as component parts under Treasury Regulation Sec 1.170A-9-(e)(11). The Board of Directors of COTS has adopted the investment policy of CFSC. The board of directors of CFSC has adopted a Total Return Concept which can offer the advantage of designing long-term investment strategies to provide for a balance between current income and capital appreciation. The CFSC investment advisory committee meets at least annually to review asset allocation policy to determine if established guidelines are appropriate to adopted investment goals. Investments are reported based on quoted market prices.

The following table sets forth, by level within the fair value hierarchy, COTS assets measured at fair value on a recurring basis at June 30, 2017 – all Level 2:

	Unrestricted	Permanently Restricted	Total
Balance, July 1, 2016	\$ 81,839	\$ 1,625,770	\$ 1,707,609
Investment income (loss)	201,189	-	201,189
Investment expenses	(23,539)	-	(23,539)
Balance, June 30, 2017	<u>\$ 259,489</u>	<u>\$ 1,625,770</u>	<u>\$ 1,885,259</u>

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 IN-KIND DONATIONS

COTS received \$1,344,053 of in-kind donations that consist of food for the program kitchen for the year ended June 30, 2017.

NOTE 6 LEASE COMMITMENTS

COTS has property leases with the City of Petaluma, California for terms ranging from month-to-month to 19 years remaining. Rent of \$1 per year per house has been paid for the renewal of some of the leases. No future minimum lease obligations remain. COTS is restricted to using the premises as emergency shelter for singles, transitional housing for families with children, and shared transitional housing for singles, administrative offices, a community kitchen, and social service programs related to family emergency housing.

COTS also leases houses and apartments from private rental firms and individuals. Most of these lease arrangements are month-to-month with one lease for apartments that terminates in March 2018. As of June 30, 2017, future minimum lease obligations are \$36,575 for June 30, 2018. Program occupancy costs for the year ended June 30, 2017 are \$446,225. Total occupancy costs for the year, which include administrative and fund development costs are \$712,201.

NOTE 7 TEMPORARILY RESTRICTED NET ASSESTS

In 2003, COTS constructed a building (Mary Isaak Center) on land owned by the City of Petaluma to provide emergency shelter and transitional housing to the homeless or disenfranchised. The cost of land improvements and building construction was paid for by public funds, government grants, and two notes payable. The Mary Isaak Center was substantially completed and operating in 2004. Total cost of acquisition and construction was \$5,160,839, including cost of the land improvement and leasehold improvements. The two loans totaling \$1,000,000 were forgiven in the current year ended June 30, 2015, and the restrictions on the grant received by the United States Department of Housing and Urban Development in the amount of \$400,000 will be removed by 2024, if the building continues to operate as an emergency shelter or transitional housing. COTS does not intend to change its use. Both loans and the grant are secured by land and the building. The balance at June 30, 2017 for the building is \$2,113,974.

COTS also had temporarily restricted net assets that have time and program restrictions. The balance at June 30, 2017 is \$743,718.

Total temporarily restricted net assets as June 30, 2017 is \$2,857,694.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 403(b) PLAN

COTS has a 403(b) Plan (Plan) to provide retirement and incidental benefits for its employees. Eligible employees may make elective deferral contributions to the Plan, up to maximum annual amounts as set periodically by the Internal Revenue Service. COTS may make discretionary contributions to participating employees' qualified compensation. COTS did not contribute for the year ended June 30, 2017.

NOTE 9 SUBSEQUENT EVENTS

COTS has evaluated subsequent events through January 17, 2018, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2017 that would have a material impact on COTS results of operations or financial position.