

COMMITTEE ON THE SHELTERLESS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3 - 4
Statement of Activities	5 - 6
Statement of Functional Expense	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 17

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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, 2018, 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, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

February 13, 2019

Santa Rosa, CA

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(With summarized comparative totals for June 30, 2017)

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,467,443	\$ 1,486,911
Grants receivable	565,393	75,753
Promises to give, net of allowance for uncollectible promises of \$30,000	144,949	326,090
Prepaid expenses	28,812	24,785
Total current assets	2,206,597	1,913,539
Fixed assets:		
Construction in progress	35,237	-
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	609,586	603,474
Furniture, fixtures and equipment	281,739	252,952
Vehicles	84,542	84,542
Subtotal	6,356,153	6,286,017
Less accumulated depreciation	(3,246,256)	(3,033,843)
Net fixed assets	3,109,897	3,252,174
Other assets:		
Promises to give, net of current portion and discounts	320,074	310,841
Investments	2,312,102	1,885,259
Deposits	55,800	52,995
Total other assets	2,687,976	2,249,095
Total assets	\$ 8,004,470	\$ 7,414,808

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(With summarized comparative totals for June 30, 2017)

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 310,053	\$ 262,886
Total liabilities	310,053	262,886
Net assets		
Without donor restriction:		
Undesignated	2,123,253	2,218,458
Board-designated	450,000	450,000
Total without donor restriction	2,573,253	2,668,458
With donor restriction:		
Temporarily restricted	3,495,394	2,857,694
Permanently restricted	1,625,770	1,625,770
Total with donor restriction	5,121,164	4,483,464
Total net assets	7,694,417	7,151,922
Total liabilities and net assets	\$ 8,004,470	\$ 7,414,808

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

(With summarized comparative information for the year ended June 30, 2017)

	Without donor restriction	With donor restriction Temporary	Permanent	2018 Totals	2017 Totals
Support:					
Contributions	\$ 1,563,225	\$ 15,516		\$ 1,578,741	1,635,024
Grants	1,013,248	1,016,899		2,030,147	2,125,861
Contract revenue	184,111	-		184,111	173,235
In-kind contributions	1,320,738	-		1,320,738	1,344,053
Total public support	<u>4,081,322</u>	<u>1,032,415</u>		<u>5,113,737</u>	<u>5,278,173</u>
Revenue:					
Rental income	535,790	-		535,790	363,763
Other income	5,826	-		5,826	2,108
Net assets released from restriction	394,715	(394,715)		-	-
Total other revenue	<u>936,331</u>	<u>(394,715)</u>		<u>541,616</u>	<u>365,871</u>
Total support and revenue	<u>5,017,653</u>	<u>637,700</u>		<u>5,655,353</u>	<u>5,644,044</u>
Expenses:					
Program services					
Food programs	1,370,456			1,370,456	1,333,677
Emergency shelter	1,112,454			1,112,454	837,128
Transitional housing	158,344			158,344	387,923
Permanent supportive housing	960,467			960,467	658,609
Supportive services	620,475			620,475	640,980
Total program expenses	<u>4,222,196</u>			<u>4,222,196</u>	<u>3,858,317</u>
Supporting services:					
Administration	455,339			455,339	493,213
Fundraising	574,305			574,305	437,722
Total expenses	<u>5,251,840</u>			<u>5,251,840</u>	<u>4,789,252</u>
Change in net assets from operations	<u>(234,187)</u>	<u>637,700</u>		<u>403,513</u>	<u>854,792</u>
Other income:					
Net investment income	<u>138,982</u>	<u>-</u>		<u>138,982</u>	<u>177,650</u>
Change in net assets	(95,205)	637,700		542,495	1,032,442
Net assets, beginning of year	<u>2,668,458</u>	<u>2,857,694</u>	<u>\$ 1,625,770</u>	<u>7,151,922</u>	<u>6,119,480</u>
Net assets, end of year	<u>\$ 2,573,253</u>	<u>\$ 3,495,394</u>	<u>\$ 1,625,770</u>	<u>\$ 7,694,417</u>	<u>\$ 7,151,922</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, 2018

(With summarized comparative information for the year ended June 30, 2017)

	Food Programs	Emergency Shelter	Transitional Housing	Permanent Supportive Housing	Supportive Services	Total Program	Management and General	Fundraising	2018 Total	2017 Total
Personnel Expense	\$ 104,195	\$ 715,630	\$ 24,533	\$ 209,966	\$ 350,815	\$1,405,139	\$ 517,056	\$ 365,209	\$2,287,404	\$ 2,047,491
Operating Expense	1,176,680	172,202	29,771	677,648	64,632	2,120,933	170,624	160,858	2,452,415	1,133,626
Program expenses	9,206	36,950	2,218	47,226	163,324	258,924	6,066	-	264,990	1,452,006
Uncollectible pledges/Bad Debt Exp	-	-	-	-	-	-	-	34,620	34,620	18,125
Administrative cost allocation	7,070	48,557	1,665	14,247	23,798	95,337	(95,337)	-	-	-
Site services allocation	33,277	56,588	44,753	1,603	8,108	144,329	(150,756)	6,427	-	-
Information services allocation	104	158	25	131	208	626	(992)	366	-	-
Subtotal	<u>1,330,532</u>	<u>1,030,085</u>	<u>102,965</u>	<u>950,821</u>	<u>610,885</u>	<u>4,025,288</u>	<u>446,661</u>	<u>567,480</u>	<u>5,039,429</u>	<u>4,651,248</u>
Depreciation and amortization	<u>39,924</u>	<u>82,369</u>	<u>55,379</u>	<u>9,646</u>	<u>9,590</u>	<u>196,908</u>	<u>8,678</u>	<u>6,825</u>	<u>212,411</u>	<u>138,003</u>
Total expenses	<u>\$1,370,456</u>	<u>\$1,112,454</u>	<u>\$ 158,344</u>	<u>\$ 960,467</u>	<u>\$ 620,475</u>	<u>\$4,222,196</u>	<u>\$ 455,339</u>	<u>\$ 574,305</u>	<u>\$5,251,840</u>	<u>\$4,789,251</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, 2018
(With summarized comparative information for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 542,495	\$ 1,032,442
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	212,411	138,004
Realized and unrealized gain on investments	118,250	165,197
(Increase) decrease in:		
Grants receivable	(489,640)	23,110
Promises to give	171,908	33,077
Prepaid expenses	(4,027)	4,381
Deposits	(2,805)	(26,010)
Increase (decrease) in:		
Accounts payable and accrued expenses	47,167	30,123
Deferred revenue	-	(816)
Total cash provided (used) by operations	<u>595,759</u>	<u>1,399,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments held	(545,092)	(380,140)
Purchase of property and equipment	(70,135)	(19,455)
Total cash used by investing activities	<u>(615,227)</u>	<u>(399,595)</u>
NET CHANGE IN CASH	(19,468)	999,913
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,486,911</u>	<u>486,998</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,467,443</u>	<u>\$ 1,486,911</u>

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 two classes of net assets: net assets without donor restriction and net assets with donor restriction

Net assets without donor restriction – 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.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of COTS to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

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.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2018, the balance over the FDIC limit is \$967,443.

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, 2018

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, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued – COTS evaluation on June 30, 2018 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.

Allocation Methodology – Costs that benefit more than one program are allocated on the basis of usage.

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, 2017, from which the summarized information was derived.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 LIQUIDITY

The following reflects the COTS' financial assets as of June 30, 2018 that are available for operations.

Financial assets at year end	
Cash and cash equivalents	\$ 1,467,443
Grants receivable	565,393
Pledges receivable	465,023
Investments	<u>2,312,102</u>
Total financial assets	4,809,961
Less financial assets with donor restrictions, net of restricted fixed assets	<u>(3,007,188)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,802,773</u></u>

NOTE 4 PROMISES TO GIVE

Unconditional promises to give consist of the following:

City of Petaluma, value of facilities	\$ 142,414
Private Parties	<u>322,609</u>
Total (current and long term)	<u><u>\$ 465,023</u></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 \$32,986 to net present value, and allowance for uncollectible promises of \$30,000. Bad debt expense for the year ended June 30, 2018 was \$34,620.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 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 at June 30, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Securities	\$ 152,193		\$ 152,193
Bond Funds	100,511		100,511
Equity Funds	4,202		4,202
Pooled investments	-	\$ 2,055,196	2,055,196
Total	<u>\$ 256,906</u>	<u>\$ 2,055,196</u>	<u>\$ 2,312,102</u>

Investment income for the year ended June 30, 2018 is:

Interest and dividend income	\$ 43,934
Net realized gains (losses)	11,793
Net unrealized gains (losses)	106,458
Investment fees	<u>(23,203)</u>
Total investment return	<u>\$ 138,982</u>

NOTE 6 IN-KIND DONATIONS

COTS received \$1,320,738 of in-kind donations that consist of food for the kitchen program, in-kind rent and other miscellaneous donations for the year ended June 30, 2018.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 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. Program occupancy costs for the year ended June 30, 2018 are \$802,927.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

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, 2018 for the building is \$2,113,976.

COTS also had net assets with temporary donor restrictions that have time and program restrictions. The balance at June 30, 2018 is \$1,381,418.

Total net assets with temporary donor restrictions as June 30, 2018 is \$3,495,394.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 403(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, 2018.

NOTE 10 CHANGE IN ACCOUNTING PRINCIPLE

COTS has adopted ASU 2016-14 effecting a change in the presentation of the financial statement, using new terminology and including additional footnote disclosures.

NOTE 11 SUBSEQUENT EVENTS

COTS has evaluated subsequent events through February 13, 2019, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to June 30, 2018 that would have a material impact on COTS results of operations or financial position.