

COMMITTEE ON THE SHELTERLESS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2020, 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 judgement, 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 an evaluation of 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, 2020, 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, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

January 27, 2021
Santa Rosa, CA

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

(With summarized comparative totals for June 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,643,220	\$ 619,288
Grants receivable	240,607	168,648
Promises to give, net of allowance for uncollectible promises	268,931	160,592
Prepaid expenses	49,867	40,670
Total current assets	2,202,625	989,198
Fixed assets:		
Work in progress	170,862	87,967
Mary Isaak Center (MIC)	5,068,769	5,068,769
Real property	1,016,712	471,993
Capitalized interest - MIC	27,384	27,384
Leasehold improvements	609,586	609,586
Furniture, fixtures and equipment	351,006	315,627
Vehicles	84,542	84,542
Subtotal	7,328,861	6,665,868
Less accumulated depreciation	(3,755,752)	(3,486,086)
Net fixed assets	3,573,109	3,179,782
Other assets:		
Promises to give, net of current portion and discounts	149,635	178,646
Investments	1,550,507	2,437,905
Deposits	45,955	55,800
Total other assets	1,746,097	2,672,351
Total assets	\$ 7,521,831	\$ 6,841,331

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

(With summarized comparative totals for June 30, 2019)

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 304,067	\$ 270,443
Deferred revenue	5,198	4,502
Note payable, current portion	173,298	-
Total current liabilities	482,563	274,945
Long Term Liabilities:		
Note payable	274,376	-
Total liabilities	756,939	274,945
Net assets		
Without donor restriction:		
Undesignated	1,817,374	1,540,482
Board-designated quasi endowment	1,625,770	1,625,770
Board-designated	450,000	450,000
Total without donor restriction	3,893,144	3,616,252
With donor restriction:		
Temporarily restricted	2,871,748	2,950,134
Total with donor restriction	2,871,748	2,950,134
Total net assets	6,764,892	6,566,386
Total liabilities and net assets	\$ 7,521,831	\$ 6,841,331

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

(With summarized comparative information for the year ended June 30, 2019)

	Without donor restriction	With donor restriction	2020 Totals	2019 Totals
Support:				
Contributions	\$ 1,595,971	\$ 1,369	\$ 1,597,340	\$ 827,404
Grants	2,645,553	492,858	3,138,411	2,071,726
Contract revenue	52,815	-	52,815	182,293
In-kind contributions	1,148,373	-	1,148,373	404,438
Total public support	<u>5,442,712</u>	<u>494,227</u>	<u>5,936,939</u>	<u>3,485,861</u>
Revenue:				
Rental income	507,298	-	507,298	558,205
Other income	11,237	-	11,237	6,613
Net assets released from restriction	572,613	(572,613)	-	-
Total other revenue	<u>1,091,148</u>	<u>(572,613)</u>	<u>518,535</u>	<u>564,818</u>
Total support and revenue	<u>6,533,860</u>	<u>(78,386)</u>	<u>6,455,474</u>	<u>4,050,679</u>
Expenses:				
Program services				
Emergency shelter	1,291,231		1,291,231	1,239,594
Permanent housing	1,239,569		1,239,569	1,211,492
Food programs	1,135,788		1,135,788	494,114
Supportive services	1,017,525		1,017,525	1,102,544
Total program expenses	<u>4,684,113</u>		<u>4,684,113</u>	<u>4,047,744</u>
Supporting services:				
Administration	861,078		861,078	689,695
Fundraising	753,702		753,702	565,195
Total expenses	<u>6,298,893</u>		<u>6,298,893</u>	<u>5,302,634</u>
Change in net assets from operations	<u>234,967</u>	<u>(78,386)</u>	<u>156,581</u>	<u>(1,251,955)</u>
Other income:				
Net investment income	41,925	-	41,925	123,924
Change in net assets	276,892	(78,386)	198,506	(1,128,031)
Net assets, beginning of year	<u>3,616,252</u>	<u>2,950,134</u>	<u>6,566,386</u>	<u>7,694,417</u>
Net assets, end of year	<u>\$ 3,893,144</u>	<u>\$ 2,871,748</u>	<u>\$ 6,764,892</u>	<u>\$ 6,566,386</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, 2020

(With summarized comparative information for the year ended June 30, 2019)

	Emergency Shelters	Permanent Housing	Food Programs	Supportive Services	Total Program	Management and General	Fundraising	2020 Total	2019 Total
Personnel Expense	\$ 741,909	\$ 266,522	\$ 180,212	\$ 430,729	\$ 1,619,372	\$ 830,227	\$ 541,102	\$ 2,990,701	\$ 2,682,294
Operating Expense	214,073	807,945	884,482	91,122	1,997,622	233,279	200,891	2,431,792	844,343
Program expenses	52,345	56,531	20,769	462,473	592,118	75	-	592,193	2,214,717
Uncollectible pledges/Bad Debt Exp	-	12,828	-	-	12,828	-	-	12,828	2,486
Site services allocation	76,012	62,267	44,700	10,891	193,870	(202,503)	8,633	-	-
Subtotal	<u>1,084,339</u>	<u>1,206,093</u>	<u>1,130,163</u>	<u>995,215</u>	<u>4,415,810</u>	<u>861,078</u>	<u>750,626</u>	<u>6,027,514</u>	<u>5,743,840</u>
Depreciation and amortization	<u>206,892</u>	<u>33,476</u>	<u>5,625</u>	<u>22,310</u>	<u>268,303</u>	<u>-</u>	<u>3,076</u>	<u>271,379</u>	<u>239,830</u>
Total expenses	<u>\$ 1,291,231</u>	<u>\$ 1,239,569</u>	<u>\$ 1,135,788</u>	<u>\$ 1,017,525</u>	<u>\$ 4,684,113</u>	<u>\$ 861,078</u>	<u>\$ 753,702</u>	<u>\$ 6,298,893</u>	<u>\$ 5,983,670</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, 2020

(With summarized comparative information for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 198,506	\$ (1,128,031)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	271,379	239,830
Realized and unrealized gain on investments	982	79,262
(Increase) decrease in:		
Grants receivable	(71,959)	396,745
Promises to give	(79,328)	125,785
Prepaid expenses	(9,197)	(11,858)
Deposits	9,845	-
Increase (decrease) in:		
Accounts payable and accrued expenses	33,624	(39,610)
Deferred revenue	696	4,502
Total cash provided (used) by operations	354,548	(333,375)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments held	886,416	(205,065)
Purchase of property and equipment	(664,706)	(309,715)
Total cash used by investing activities	221,710	(514,780)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on long term note payable	447,674	-
Cash provided (used) by financing activities	447,674	-
NET CHANGE IN CASH	1,023,932	(848,155)
CASH AND CASH EQUIVALENTS, beginning of year	619,288	1,467,443
CASH AND CASH EQUIVALENTS, end of year	\$ 1,643,220	\$ 619,288

The accompanying notes are an integral part of these financial statements

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION

Committee on the Shelterless (COTS) organized as a nonprofit corporation in 1988. At COTS, the mission is to assist those experiencing homelessness in finding and keeping housing, increasing self-sufficiency, and improving well-being. COTS envisions a community where everyone has a place to call home. According to the 2019 Point in Time Count, there are some 3,000 individuals experiencing homelessness in Sonoma County and 21,000 considered precariously housed. For 32 years, COTS has been working to combat this crisis, providing hot and nutritious meals daily to anyone in need and a range of services to support people in reaching their short- and long-term housing, healthcare and employment goals. COTS' programs and services are rooted in a deep understanding of the experience of homelessness – and are shaped by an evidence-based approach that emphasizes dignity, care and inclusivity for our clients.

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, 2020

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, 2020, the balance over the FDIC limit is \$1,143,220.

Accounts receivable – Accounts receivable are monies due from various agencies for services performed. Management has created an allowance based on historical collectability.

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. The allowance for uncollectible promises for June 30, 2020 is \$17,000.

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, 2020

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, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued – COTS evaluation on June 30, 2020 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 either usage or full time equivalent of staff costs by functional area.

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, 2019, from which the summarized information was derived.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 LIQUIDITY

COTS' working capital and cash flows have seasonal variations during the year attributable to the annual COTS Hour and contributions received near calendar year-end. To manage liquidity COTS maintains a line of credit of \$200,000 with Exchange Bank that is available to be drawn upon as needed during the year to manage cash flow and is then repaid in full by the end of the fiscal year. No funds were drawn against the line of credit in Fiscal Year 2019/2020.

The following reflects COTS' financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund (referred to as board-designated quasi endowment on the Statement of Financial Position) for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside as part of the board-designated quasi endowment for operating and other needs that could be drawn upon if the board of directors approves that action.

Financial assets at year end	
Cash and cash equivalents	\$ 1,643,220
Grants receivable	240,607
Pledges receivable	418,566
Investments	<u>1,550,507</u>
Total financial assets	3,852,900
Less financial assets with donor restrictions, net of restricted fixed assets	(757,773)
Less board designations	<u>(2,075,770)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,019,357</u></u>

NOTE 4 PROMISES TO GIVE

Unconditional promises to give consist of the following:

City of Petaluma, value of facilities	\$ 203,706
Private Parties	<u>214,860</u>
Total (current and long term)	<u><u>\$ 418,566</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 \$14,596, to net present value, and allowance for uncollectible promises of \$17,000. Bad debt expense for the year ended June 30, 2020 was \$49,268.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Securities	\$ 180,534		\$ 180,534
Bond Funds	114,764		114,764
Short-term reserve	40,670		40,670
Pooled investments	-	\$ 1,214,539	1,214,539
Total	<u>\$ 335,968</u>	<u>\$ 1,214,539</u>	<u>\$ 1,550,507</u>

Investment income for the year ended June 30, 2020 is:

Interest and dividend income	\$ 49,032
Net realized gains (losses)	35,223
Net unrealized gains (losses)	(14,200)
Investment fees	<u>(28,130)</u>
Total investment return	<u>\$ 41,925</u>

NOTE 6 LINE OF CREDIT

COTS has a line of credit with a local financial institution that originated March 2020 and matures April 2021. The amount available is \$200,000 and the interest rate is 7.75 percent. There was no balance on the line of credit at June 30, 2020.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 NOTES PAYABLE

COTS has a note payable with the Small Business Administration in the amount of \$447,674. The loan originated May 2020 and matures May 2022. Interest is one percent. The loan can be forgiven as long as the covenants are met which was not done by June 30, 2020 but is expected to be by June 30, 2021. Future minimum payments are as follows:

2021	\$	173,298
2022		274,355

Subsequent to yearend, in December 2020, the note payable has been forgiven.

NOTE 8 IN-KIND DONATIONS

COTS received \$1,148,373 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, 2020.

NOTE 9 LEASE COMMITMENTS

COTS has property leases with the City of Petaluma, California for terms ranging from month-to-month to 18 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. Facility and housing lease costs for the year ended June 30, 2020 are \$685,826.

NOTE 10 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 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 \$760,839, including cost of the land improvement and leasehold improvements.

COMMITTEE ON THE SHELTERLESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS – TEMPORARY, continued

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, 2020 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, 2020 is \$757,773.

Total net assets with temporary donor restrictions as June 30, 2020 is \$2,871,748.

NOTE 11 NET ASSETS WITH BOARD DESIGNATIONS

COTS has board designations set up as follows at June 30, 2020:

Operating reserve	\$ 450,000
Quasi endowment	<u>1,625,770</u>
Total board designations	<u><u>\$ 2,075,770</u></u>

NOTE 12 403(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, 2020.

NOTE 13 SUBSEQUENT EVENTS

COTS has evaluated subsequent events through January 27, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the COTS' operations, financial position, and cash flows.