

**Committee on the Shelterless**  
**(a California Not-for-Profit Corporation)**

**Financial Statements**  
**For Year Ended June 30, 2021**

Together with Independent Auditors' Report

# Committee on the Shelterless

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### ***Independent Auditors' Report***

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

#### ***Opinion***

We have audited the financial statements of Committee on the Shelterless (COTS), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of COTS as of June 30, 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Committee on the Shelterless 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 opinion.

#### ***Other Matter***

The financial statements of Committee on the Shelterless for the year ended June 30, 2020, before the restatement described in Note 3, were audited by another auditor whose report dated January 27, 2021, expressed an unmodified opinion on those statements. As part of our audit of the financial statements as of and for the year ended June 30, 2021, we also audited the adjustments described in Note 3 that were applied to restate the financial statements as of and for the year ended June 30, 2020. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements as of and for the year ended June 30, 2020 of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements as of and for the year ended June 30, 2020 as a whole.

## ***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 COTS' ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 COTS' 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 COTS' 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.

*Dillwood Burkell & Millar, LLP*

Santa Rosa, California  
December 16, 2021

# Committee on the Shelterless

## Statement of Financial Position

As of June 30, 2021

### Assets

#### Current assets

Cash and cash equivalents	\$ 1,873,582
Accounts receivable, net	213,678
Pledges receivable, <i>current portion</i>	52,791
Prepaid expenses	103,706

**Total current assets** 2,243,757

**Restricted cash and cash equivalents** 178,242

**Investments** 1,922,553

**Pledges receivable,**  
*net of current portion and discounts* 25,606

**Leasehold interest** 161,499

**Property and equipment, net** 3,399,120

**Deposits** 38,205

**Total assets** \$ 7,968,982

### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 265,080
Prepaid rent received	6,157

Total current liabilities 271,237

**Rental deposits** 59,877

**Government forgivable loan** 581,293

**Total liabilities** 912,407

#### Net assets

Without donor restriction	
Undesignated	3,608,792
Board-designated	1,243,316
Total without donor restriction	4,852,108
With donor restriction	2,204,467

**Total net assets** 7,056,575

**Total liabilities and net assets** \$ 7,968,982

See accompanying Notes to Financial Statements.

# Committee on the Shelterless

## Statement of Activities and Changes in Net Assets For Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Grants and contributions	\$ 2,436,528	\$ 426,542	\$ 2,863,070
Government grants and contracts	1,291,523	-	1,291,523
Government loan forgiven	447,674	-	447,674
In-kind contributions	<u>1,164,009</u>	<u>-</u>	<u>1,164,009</u>
Total public support	5,339,734	426,542	5,766,276
Revenue:			
Program fee income	653,296	-	653,296
Investment income, net	200,926	204,432	405,358
Net assets released from restrictions	<u>662,223</u>	<u>(662,223)</u>	<u>-</u>
Total support and revenue	6,856,179	(31,249)	6,824,930
Expenses:			
Program services			
Shelter	1,612,933	-	1,612,933
Food programs	1,304,254	-	1,304,254
Permanent supportive housing	1,109,193	-	1,109,193
Mary Isaak Center Recuperative	77,614	-	77,614
Rental Assistance	<u>296,317</u>	<u>-</u>	<u>296,317</u>
Total program expenses	4,400,311	-	4,400,311
Support services:			
Management and general	1,314,276	-	1,314,276
Fundraising	<u>818,660</u>	<u>-</u>	<u>818,660</u>
Total expenses	<u>6,533,247</u>	<u>-</u>	<u>6,533,247</u>
Change in net assets	322,932	(31,249)	291,683
Net assets, beginning of year, <i>restated</i>	<u>4,529,176</u>	<u>2,235,716</u>	<u>6,764,892</u>
Net assets, end of year	<u>\$ 4,852,108</u>	<u>\$ 2,204,467</u>	<u>\$ 7,056,575</u>

See accompanying Notes to Financial Statements.

# Committee on the Shelterless

## Statement of Functional Expenses For the Year Ended June 30, 2021

	Program Services					Total	Management and General	Fundraising	Total
	Shelter	Food Programs	Permanent Supportive Housing	Mary Isaak Center Recuperative	Rental Assistance				
Salaries and wages	\$ 774,401	\$ 197,585	\$ 223,282	\$ 58,588	\$ 86,546	\$ 1,340,402	\$ 536,075	\$ 478,832	\$ 2,355,309
Employee benefits	145,104	31,382	32,555	4,205	21,030	234,276	50,695	59,157	344,128
Payroll taxes	66,948	18,042	17,021	3,534	7,627	113,172	44,240	39,580	196,992
Total payroll expenses	986,453	247,009	272,858	66,327	115,203	1,687,850	631,010	577,569	2,896,429
In-kind food expense	-	991,835	-	-	-	991,835	-	-	991,835
Rent	48,000	-	543,769	-	-	591,769	-	-	591,769
Direct program expense	251,325	19,212	81,426	412	167,878	520,253	-	-	520,253
Depreciation	-	-	-	-	-	-	273,151	-	273,151
Utilities	62,801	21,278	116,643	5,318	3,585	209,625	8,880	13,795	232,300
Loss on disposal of property	-	-	-	-	-	-	196,849	-	196,849
Contract services	55,754	7,533	8,367	1,856	3,554	77,064	81,273	35,860	194,197
Repairs and maintenance	119,922	6,662	17,588	1,688	447	146,307	2,701	2,244	151,252
Supplies and equipment	65,680	1,507	6,948	566	3,702	78,403	34,875	4,247	117,525
Bad debt expense	-	-	12,545	-	-	12,545	-	91,320	103,865
Marketing and development	-	-	-	-	-	-	-	58,740	58,740
Liability insurance	13,158	4,396	32,810	919	320	51,603	1,918	1,416	54,937
Professional fees	-	-	7,773	-	-	7,773	21,913	-	29,686
Bank and other fees	299	1,712	1,054	20	75	3,160	3,511	22,067	28,738
Dues and subscriptions	591	183	3,147	36	62	4,019	13,390	5,233	22,642
Other expense	41	-	250	-	-	291	21,091	49	21,431
Staff development	394	16	62	-	267	739	18,802	1,091	20,632
Vehicle expense	7,209	2,465	1,238	301	523	11,736	2,863	2,619	17,218
Travel and mileage	735	-	2,391	171	422	3,719	118	533	4,370
Postage and shipping	86	446	159	-	-	691	1,821	1,822	4,334
Printing and copying	485	-	165	-	279	929	110	55	1,094
Total expenses	<u>\$ 1,612,933</u>	<u>\$ 1,304,254</u>	<u>\$ 1,109,193</u>	<u>\$ 77,614</u>	<u>\$ 296,317</u>	<u>\$ 4,400,311</u>	<u>\$ 1,314,276</u>	<u>\$ 818,660</u>	<u>\$ 6,533,247</u>

See accompanying Notes to Financial Statements.

# Committee on the Shelterless

## Statement of Cash Flows

For the Year Ending June 30, 2021

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 291,683
Adjustments to reconcile changes in net assets to cash and cash equivalents provided by operations	
Government loan forgiveness	(447,674)
Depreciation and amortization	315,358
Loss from disposal of fixed assets	197,051
Realized and unrealized gain on investments	(399,114)
Reinvested interest	27,068
(Increase) decrease in:	
Accounts receivable	26,928
Pledges receivable	(53,838)
Prepaid expenses	136,463
Deposits	7,750
Increase (decrease) in:	
Accounts payable and accrued expenses	23,273
Prepaid rent received	959
Rental deposits	(2,383)
 Total cash provided by operations	 <u>123,524</u>
 <b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(296,212)</u>
 Total cash used by investing activities	 <u>(296,212)</u>
 <b>Cash flows from financing activities</b>	
Borrowings on long term note payable	<u>581,293</u>
 Cash provided by financing activities	 <u>581,293</u>
 <b>Net change in cash and cash equivalents</b>	 408,605
 <b>Cash and cash equivalents at beginning of year</b>	 <u>1,643,219</u>
 <b>Cash and cash equivalents at end of year</b>	 <u>\$ 2,051,824</u>
 Unrestricted cash and cash equivalents	\$ 1,873,582
Restricted cash and cash equivalents	<u>178,242</u>
 Total cash and cash equivalents	 <u>\$ 2,051,824</u>

See accompanying Notes to Financial Statements.



# Committee on the Shelterless

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## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 1. Nature of Activities

Committee on the Shelterless (“COTS” or the “Organization”) is a California not-for-profit corporation founded in 1988. At COTS, the mission is to assist those experiencing homelessness in finding and keeping housing, increasing self-sufficiency, and improving well-being. Currently the Organization offers a variety of shelter and housing programs and services to give clients a chance at finding and keeping housing.

### Note 2. Summary of Significant Account Policies

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without donor restrictions* – revenues without donor restrictions include unconditional promises to give by donors without any use or time restrictions. Investment earnings are recorded as unrestricted net assets for certain temporarily restricted funds in accordance with donor stipulations. Net assets without donor restrictions are available for all operations conducted by the Organization.

*With donor restrictions* – revenues with donor restrictions include unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, net assets with donor restriction are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Revenues with donor restriction also include unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the Organization may determine the income's availability to COTS' operations.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the collectability of contributions and other receivables, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

# Committee on the Shelterless

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## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 2. Summary of Significant Account Policies, *continued*

#### Cash and Cash Equivalents

COTS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, which limits the investment's use to long-term.

At various times during the year ended June 30, 2021, the Organization had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. COTS had approximately \$1,391,000 on deposit in excess of the FDIC insured amount at June 30, 2021. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash and cash equivalents include only funds that are not restricted by the donor.

#### Accounts Receivable

Accounts receivable are monies due from various agencies for services performed. COTS uses the allowance method to reserve for uncollectable accounts. Management periodically evaluates the allowance. As of June 30, 2021, Management believes all accounts receivable balance were collectable.

#### Pledges Receivable

Verifiable pledges for contributions are recorded as pledges receivable. Pledges that are expected to be collected within one year are recorded at net realizable value, and reported as current pledges receivable. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, and reported as noncurrent pledges receivable. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue. The Organization uses the allowance method to reserve for uncollectable accounts. Management periodically evaluates the allowance. Pledges receivable at June 30, 2021 were reported net of allowance for uncollectable accounts in the amount of \$7,000.

#### Investments

Investments, which include mutual funds held at a financial institution and investment funds maintained at the Community Foundation of Sonoma County (CFSC), are carried at fair value. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. Investment earnings restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the earnings are recognized.

# Committee on the Shelterless

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## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 2. Summary of Significant Account Policies, *continued*

#### Fair Value Measurements

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Valuation based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuation is derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to COTS' perceived risk of that investment.

#### Property, Equipment and Improvements

Property, equipment and improvements are stated at cost. Depreciation is computed using straight-line method over useful lives ranging from three to thirty years. It is COTS' policy to capitalize assets over \$5,000.

Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted. 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.

#### Contract Revenue Recognition and Deferred Revenue

Revenues under contract agreements are recognized when services are provided. Deferred revenue represents funds received before services are provided, and is recognized in the period when services are provided.

# Committee on the Shelterless

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## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 2. Summary of Significant Account Policies, *continued*

#### Grants and Contributions

Grants and contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restriction.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. During the year ended June 30, 2021, COTS received \$1,164,009 of in-kind donations, which consisted primarily of food for the kitchen program and in-kind rent (Note 8).

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist COTS at program service activities and fundraising activities; however, these donated services are not reflected in the financial statements as the services do not require specialized skills.

#### Income Taxes

COTS is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, COTS is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. COTS did not engage in any unrelated business activities during the year ended June 30, 2021.

COTS determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2021, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Organization's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

# Committee on the Shelterless

## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 2. Summary of Significant Account Policies, *continued*

#### Functional Expense Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the Statement of Activities and Changes in Net Assets, and listed by the nature of the expenses in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and support services. Certain 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. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### Pronouncements Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Organization beginning July 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirement about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 is effective for the Organization beginning July 1, 2021. The Organization is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

### Note 3. Beginning Balance Restatement

During the preparation of the financial statements as of and for the year ended June 30, 2021, certain errors in prior years' classifications of net assets with donor restrictions were noted. As such, prior period adjustments were recorded to correct such classification errors. The effects of the prior period adjustments are as the follows for net asset balances at July 1, 2021:

	<u>Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>Restated</u>
Net assets with donor restrictions	\$ 2,871,748	\$ (636,032)	\$ 2,235,716
Net assets without donor restrictions, board designated	2,075,770	(985,468)	1,090,302
Net assets without donor restrictions, undesignated	<u>1,817,374</u>	<u>1,621,500</u>	<u>3,438,874</u>
Total	<u>\$ 6,764,892</u>	<u>\$ -</u>	<u>\$ 6,764,892</u>

# Committee on the Shelterless

## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 4. Liquidity and Availability of Financial Assets

The following reflects COTS' financial assets, reduced by amounts not available for general use within one year from June 30, 2021 because of contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	\$	2,051,824
Investments		1,922,553
Accounts receivable		206,678
Pledges receivable, current portion		<u>52,791</u>
Total financial assets, at year end		4,233,846
Less those unavailable for general expenditures within one year, due to:		
Net asset funds with donor restrictions		(1,988,611)
Board designated funds		<u>(1,243,316)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,001,919</u>

To manage liquidity, COTS maintains a line of credit (Note 9) with a financial institution that is available to be drawn upon as needed during the year. It is COTS' liquidity policy to maintain cash on hand available to cover 90 days of operating expenses.

### Note 5. Investments

Investments stated at fair value, as of June 30, 2021 include:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual funds	\$ 279,357	\$ 377,857
CFSC investment funds	<u>734,068</u>	<u>1,544,696</u>
	<u>\$ 1,013,425</u>	<u>\$ 1,922,553</u>

# Committee on the Shelterless

## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 5. Investments, *continued*

Investment returns are comprised of the following for the year ended June 30, 2021:

Dividends and interest	\$	25,610
Net realized gains		73,509
Net unrealized gains		325,605
		<u>424,724</u>
Investment management fees		<u>(19,366)</u>
	\$	<u>405,358</u>

As described above, COTS invests in various investment securities. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

### Note 6. Fair Value Measurement

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<i>Assets:</i>			
Equity securities	\$ 377,857	\$ -	\$ 377,857
CFSC funds	-	1,544,696	1,544,696

The funds held at the Community Foundation of Sonoma County (CFSC), a 501(c)(3) organization, 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.

# Committee on the Shelterless

## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 7. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2021:

Pledges receivable with time restrictions	\$	28,200
Pledges receivable without donor restrictions		59,791
		<u>87,991</u>
Less: discount for long-term pledges		(2,594)
Less: allowance for uncollectable accounts		<u>(7,000)</u>
	\$	<u>78,397</u>

Pledges receivable as of June 30, 2021 are expected to be collected as follows in the years ending June 30,

2022	\$	59,791
2023		10,200
2024		8,000
2025		<u>10,000</u>
	\$	<u>87,991</u>

### Note 8. Leasehold Interest

COTS has a long-term land lease agreement with the City of Petaluma through March 2034, and a building lease agreement through June 2024. The amount reported as leasehold interest represents the estimated present value of the future benefit of the lease and will be amortized annually over the life of the lease. The value of the leasehold interest was estimated by COTS management and the landlord based on comparable market rents. Amortization of the leasehold interest was \$42,207 for the year ended June 30, 2021. Future amortization of the leasehold interest is the following for the years ending June 30:

2022	\$	41,310
2023		40,433
2024		23,107
2025		6,448
Thereafter		<u>50,201</u>
	\$	<u>161,499</u>

### Note 9. Line of Credit

COTS has a line of credit with a financial institution allowing for borrowings up to \$200,000 at 5.25% per annum. The line matured in September 2021. There was no borrowings against the line of at June 30, 2021. Subsequent to year-end in December 2021, the line was renewed through February 2023.



# Committee on the Shelterless

## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 10. Government Forgivable Loan and Grant Revenue

In March 2020, COTS applied for and received a Paycheck Protection Program (“PPP”) loan in the amount of \$447,674 through the Small Business Administration in relation to the coronavirus pandemic (See Note 14). The loan bears annual interest of 1% and matures 2 years from issuance with payments deferred for the first 10 months. The loan is a forgivable loan if certain criteria are met. In August 2020 the loan was forgiven in full. The Organization included the \$447,674 in the government grants revenue on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

In January 2021, COTS applied for and received a second PPP loan in the amount of \$581,293, the term of which is the same as the first one. Subsequent to year-end in November 2021, the loan was forgiven in full.

### Note 11. Net Assets

#### Net Assets without Donor Restrictions

All general operating revenues and expenses related to the program activities of the Organization are included in the change in net assets without donor restrictions. From time to time, contributions without donor restriction received are designated by the Organization’s board as board designated funds. The board designated funds consist of funds with no donor or legal restrictions but, through board resolutions, have been set aside for specific purposes.

Board designated funds consist of the following as of June 30, 2021:

Operational reserve	\$ 1,033,274
General reserve	146,026
Capital replacement	<u>64,016</u>
	<u>\$ 1,243,316</u>

#### Net Assets with Temporary Donor Restrictions

The following schedule summarizes net assets with temporary donor restrictions as of June 30, 2021:

Program restrictions	\$ 1,982,968
Time restrictions	<u>221,499</u>
	<u>\$ 2,204,467</u>

# Committee on the Shelterless

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## Notes to Financial Statements For the Year Ended June 30, 2021

### Note 11. Net Assets, *continued*

#### Net Assets with Temporary Donor Restrictions, *continued*

Net assets with temporary donor restrictions are included on the Statement of Financial Position at June 30, 2021 as follows:

Investments	\$ 1,776,526
Restricted cash	178,242
Leasehold interest	161,499
Property and improvement	60,000
Pledges receivable	28,200
	<hr/>
	\$ 2,204,467
	<hr/> <hr/>

### Note 12. Operating Leases

In addition to the long-term lease agreement with the City of Petaluma as discussed in Note 8, COTS also has month-to-month operating lease agreements with government agencies and private parties. Rental payments under these agreements are generally below market rate. COTS is restricted to using these rental properties as emergency shelter for singles, integrity permanent housing for families with children, and shared integrity permanent housing for singles, administrative offices, a community kitchen, and social service programs related to family emergency housing. Rent under these lease agreements is valued at \$164,289 based on current rental market rates, and has been recorded as in-kind contribution and in-kind rent expense for the year ended June 30, 2021.

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, 2021 are \$591,769.

### Note 13. 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, 2021.

# **Committee on the Shelterless**

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## **Notes to Financial Statements For the Year Ended June 30, 2021**

### **Note 14. Contingency**

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

Although not directly impacted through June 30, 2021, operations and business results of the Organization could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, COTS has implemented safety measures to protect employees and will continue to review them as needed.

It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

### **Note 15. Subsequent Events**

COTS evaluated subsequent events from July 1, 2021 through December 16, 2021 the date which the financial statements were available to be issued, and determined that other than the renewal of the line of credit as discussed in Note 9, and the forgiveness of the second PPP loan as discussed in Note 10, there are no material subsequent events that required recognition or additional disclosure in these financial statements.