

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

Financial Statements
For the Years Ended June 30, 2023 and 2022

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, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 Committee on the Shelterless as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Committee on the Shelterless' ability to continue as a going concern for one year after the date that the financial statements are available to be 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 Committee on the Shelterless' 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 Committee on the Shelterless' 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 Burkel & Millar, LLP

Santa Rosa, California
January 25, 2024

Committee on the Shelterless

Statements of Financial Position

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,851,166	\$ 1,790,622
Accounts receivable	558,182	218,999
Pledges receivable, current portion, net	-	21,382
Prepaid expenses	<u>82,525</u>	<u>63,632</u>
Total current assets	2,491,873	2,094,635
Restricted cash and cash equivalents	21,863	321,813
Investments	1,826,118	1,653,794
Pledges receivable, net of		
current portion and discounts	-	5,406
Leasehold interest	79,756	120,189
Property and equipment, net	3,003,383	3,193,829
Deposits	<u>42,390</u>	<u>38,705</u>
Total assets	<u><u>\$ 7,465,383</u></u>	<u><u>\$ 7,428,371</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 354,247	\$ 329,190
Deferred contract revenue	470,410	-
Prepaid rent received	<u>3,374</u>	<u>4,145</u>
Total current liabilities	828,031	333,335
Rental deposits	<u>53,233</u>	<u>59,135</u>
Total liabilities	881,264	392,470
Net assets		
Without donor restriction		
Undesignated	4,479,161	4,191,904
Board-designated	<u>760,907</u>	<u>1,203,846</u>
Total without donor restriction	5,240,068	5,395,750
With donor restriction	<u>1,344,051</u>	<u>1,640,151</u>
Total net assets	<u>6,584,119</u>	<u>7,035,901</u>
Total liabilities and net assets	<u><u>\$ 7,465,383</u></u>	<u><u>\$ 7,428,371</u></u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions of financial assets	\$ 942,259	\$ 1,016,247	\$ 1,958,506
Government grants and contracts	3,056,129	-	3,056,129
Contributions of nonfinancial assets	1,541,912	-	1,541,912
Total public support	5,540,300	1,016,247	6,556,547
Revenue:			
Program fee income	485,455	-	485,455
Investment gain, net	184,660	-	184,660
Net assets released from restrictions	1,312,347	(1,312,347)	-
Total support and revenue	7,522,762	(296,100)	7,226,662
Expenses:			
Program services			
Shelter	1,904,455	-	1,904,455
Food programs	1,856,721	-	1,856,721
Permanent supportive housing	1,666,865	-	1,666,865
Mary Isaak Center Recuperative	215,487	-	215,487
Rental Assistance	283,417	-	283,417
Total program expenses	5,926,945	-	5,926,945
Support services:			
Management and general	1,242,407	-	1,242,407
Fundraising	509,092	-	509,092
Total expenses	7,678,444	-	7,678,444
Change in net assets	(155,682)	(296,100)	(451,782)
Net assets, beginning of year	5,395,750	1,640,151	7,035,901
Net assets, end of year	\$ 5,240,068	\$ 1,344,051	\$ 6,584,119

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions of financial assets	\$ 2,236,383	\$ 1,059,861	\$ 3,296,244
Government grants and contracts	1,856,881	-	1,856,881
Contributions of nonfinancial assets	1,492,647	-	1,492,647
Total public support	5,585,911	1,059,861	6,645,772
Revenue:			
Program fee income	518,484	-	518,484
Investment loss, net	(268,095)	-	(268,095)
Net assets released from restrictions	1,624,177	(1,624,177)	-
Total support and revenue	7,460,477	(564,316)	6,896,161
Expenses:			
Program services			
Shelter	1,985,669	-	1,985,669
Food programs	1,765,741	-	1,765,741
Permanent supportive housing	1,265,598	-	1,265,598
Mary Isaak Center Recuperative	193,387	-	193,387
Rental Assistance	354,187	-	354,187
Total program expenses	5,564,582	-	5,564,582
Support services:			
Management and general	810,585	-	810,585
Fundraising	541,668	-	541,668
Total expenses	6,916,835	-	6,916,835
Change in net assets	543,642	(564,316)	(20,674)
Net assets, beginning of year	4,852,108	2,204,467	7,056,575
Net assets, end of year	\$ 5,395,750	\$ 1,640,151	\$ 7,035,901

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statement of Functional Expenses For the Year Ended June 30, 2023

	Program Services						Management and General	Fundraising	Total
	Shelters	Food Programs	Permanent Supportive Housing	Recuperative Care	Rental Assistance	Total			
Salaries and wages	\$ 962,194	\$ 259,348	\$ 479,952	\$ 128,925	\$ 111,926	\$ 1,942,345	\$ 777,735	\$ 266,056	\$ 2,986,136
Employee benefits	158,517	36,562	72,135	21,333	20,488	309,035	70,424	26,604	406,063
Payroll taxes	81,759	22,766	41,240	11,527	9,679	166,971	63,412	21,513	251,896
Total payroll expenses	1,202,470	318,676	593,327	161,785	142,093	2,418,351	911,571	314,173	3,644,095
In-kind food expense	-	1,371,829	-	-	-	1,371,829	-	-	1,371,829
Rent	48,805	4,070	573,105	-	-	625,980	5,317	-	631,297
Professional fees	292,229	20,213	60,706	27,987	19,810	420,945	173,632	18,688	613,265
Supplies and equipment	56,634	47,472	25,995	3,320	1,156	134,577	80,332	76,471	291,380
Depreciation	126,139	39,564	86,658	8,798	3,609	264,768	13,814	4,666	283,248
Utilities	80,815	24,727	140,013	7,016	3,490	256,061	13,841	6,392	276,294
Direct program expense	32,636	218	97,898	2,242	109,638	242,632	251	-	242,883
Repairs and maintenance	38,804	18,485	34,064	1,654	589	93,596	2,498	755	96,849
Liability insurance	19,817	5,757	35,104	1,951	1,318	63,947	2,344	671	66,962
Marketing and development	-	-	-	-	-	-	11,226	49,954	61,180
Other expense	475	1,910	1,660	320	24	4,389	6,643	23,651	34,683
Bad debt expense	-	-	11,662	-	-	11,662	-	9,034	20,696
Travel and mileage	5,326	3,713	6,117	380	1,436	16,972	1,228	1,534	19,734
Dues and subscriptions	55	79	345	7	3	489	10,709	3,033	14,231
Staff development	250	8	211	27	251	747	9,001	70	9,818
Total expenses	<u>\$ 1,904,455</u>	<u>\$ 1,856,721</u>	<u>\$ 1,666,865</u>	<u>\$ 215,487</u>	<u>\$ 283,417</u>	<u>\$ 5,926,945</u>	<u>\$ 1,242,407</u>	<u>\$ 509,092</u>	<u>\$ 7,678,444</u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statement of Functional Expenses For the Year Ended June 30, 2022

	Program Services						Management and General	Fundraising	Total
	Shelters	Food Programs	Permanent Supportive Housing	Recuperative Care	Rental Assistance	Total			
Salaries and wages	\$ 823,856	\$ 241,818	\$ 294,389	\$ 111,360	\$ 112,489	\$ 1,583,912	\$ 573,735	\$ 349,830	\$ 2,507,477
Employee benefits	147,912	42,426	47,560	18,452	22,442	278,792	54,633	30,294	363,719
Payroll taxes	69,855	20,616	24,827	9,763	9,647	134,708	44,954	27,112	206,774
Total payroll expenses	1,041,623	304,860	366,776	139,575	144,578	1,997,412	673,322	407,236	3,077,970
In-kind food expense	-	1,320,759	-	-	-	1,320,759	-	-	1,320,759
Rent	54,742	-	537,174	-	-	591,916	1,908	-	593,824
Professional fees	373,532	12,133	26,863	31,236	21,564	465,328	15,892	14,106	495,326
Direct program expense	193,358	149	38,767	602	172,267	405,143	723	323	406,189
Supplies and equipment	97,122	45,906	29,361	4,618	5,059	182,066	55,733	40,964	278,763
Depreciation	107,869	42,207	92,562	9,059	4,636	256,333	14,873	7,406	278,612
Utilities	62,652	21,065	118,120	5,464	3,826	211,127	16,648	7,372	235,147
Repairs and maintenance	33,131	10,251	19,134	1,015	411	63,942	1,572	526	66,040
Liability insurance	15,282	4,921	32,089	1,168	655	54,115	2,311	710	57,136
Marketing and development	-	-	-	-	-	-	7,953	27,530	35,483
Other expense	158	59	900	19	25	1,161	9,377	23,591	34,129
Travel and mileage	5,709	3,292	3,431	365	1,137	13,934	735	1,223	15,892
Bad debt expense	-	-	-	-	-	-	-	9,446	9,446
Staff development	395	44	354	254	20	1,067	6,700	91	7,858
Dues and subscriptions	96	95	67	12	9	279	2,838	1,144	4,261
Total expenses	<u>\$ 1,985,669</u>	<u>\$ 1,765,741</u>	<u>\$ 1,265,598</u>	<u>\$ 193,387</u>	<u>\$ 354,187</u>	<u>\$ 5,564,582</u>	<u>\$ 810,585</u>	<u>\$ 541,668</u>	<u>\$ 6,916,835</u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	<i>Increase (decrease) in</i>	
	<i>cash and cash equivalents</i>	
Cash flows from operating activities		
Change in net assets	\$ (451,782)	\$ (20,674)
Adjustments to reconcile changes in net assets		
to cash and cash equivalents provided by (used in) operations		
Government loan forgiveness	-	(581,293)
Depreciation and amortization	323,680	319,922
Realized and unrealized (gain) losses on investments	(184,660)	255,862
Reinvested interest	12,336	12,897
(Increase) decrease in:		
Accounts receivable	(312,395)	(5,321)
Pledges receivable	-	40,074
Prepaid expenses	(18,893)	51,609
Deposits	(3,685)	(500)
Increase (decrease) in:		
Accounts payable and accrued expenses	25,057	64,110
Prepaid rent received	(771)	(2,012)
Advances on deferred contracts	470,410	-
Rental deposits	(5,902)	(742)
	<u>(146,605)</u>	<u>133,932</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(92,801)</u>	<u>(73,321)</u>
	<u>(92,801)</u>	<u>(73,321)</u>
Net change in cash and cash equivalents	(239,406)	60,611
Cash and cash equivalents at beginning of year	<u>2,112,435</u>	<u>2,051,824</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,873,029</u></u>	<u><u>\$ 2,112,435</u></u>
Unrestricted cash and cash equivalents	\$ 1,851,166	\$ 1,790,622
Restricted cash and cash equivalents	<u>21,863</u>	<u>321,813</u>
Total cash and cash equivalents	<u><u>\$ 1,873,029</u></u>	<u><u>\$ 2,112,435</u></u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

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 restrictions 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 restrictions 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

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

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 years ended June 30, 2023 and 2022, 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 \$1,094,000 and \$1,378,000 in deposit in excess of the FDIC insured amount at June 30, 2023 and 2022, respectively. 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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of net assets with donor restricted cash balances of \$21,863 and \$321,813 at June 30, 2023 and 2022, respectively.

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, 2023 and 2022, Management believes all accounts receivable balances 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. There were no pledges receivable at June 30, 2023. Pledges receivable at June 30, 2022 were reported net of allowance for uncollectable accounts in the amount of \$7,000.

Leases

Transactions give rise to leases when the Organization receives substantially all of the economic benefits from, and has the ability to direct the use of specified property and equipment. The Organization has lessee activity that is classified as an operating lease. The operating lease is included in operating lease right-of-use asset, operating lease liability-current portion, and operating lease liability, non-current portion on the Statement of Financial Position.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Summary of Significant Account Policies, continued

An operating lease right-of-use asset represents the right to use an underlying asset for the lease term and an operating lease liability represents obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. When discount rates implicit in the lease cannot be readily determined, the Organization uses their applicable incremental borrowing rate, or a risk free rate, at lease commencement to perform lease classification tests and to measure the lease liability and right-of-use asset. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods would not be included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended or if the payments were not determinable.

The Organization has agreements with lease and non-lease components, such as common area maintenance, and has elected the practical expedient to not separate the lease and non-lease components when calculating the lease liability and right-of-use asset when it relates to office leases. The Organization has also elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

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.

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.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Summary of Significant Account Policies, continued

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.

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value, which is both measurable and objective. Long-lived assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support until the donated assets are purchased and placed in service. Upon the assets being placed in service, the restrictions are considered met and funds are released to unrestricted support. Expenditures for maintenance and repairs are charged to expense when incurred.

Contract Revenue Recognition and Deferred Revenue

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

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 years ended June 30, 2023 and 2022, COTS received \$1,541,912 and \$1,492,647 respectively, of in-kind donations, which consisted primarily of food for the kitchen program and in-kind rent (Note 13).

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.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Summary of Significant Account Policies, continued

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 years ended June 30, 2023 and 2022.

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, 2023, 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.

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.

Accounting Pronouncements Adopted

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 Organization adopted the ASU effective July 1, 2022. Management determined that there were no material leases and, as such, the adoption of ASU 2016-02 had no effect on previously stated net asset balances.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 3. Liquidity and Availability of Financial Assets

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,873,029	\$ 2,112,435
Investments	1,826,118	1,653,794
Accounts receivable	558,182	218,999
Pledges receivable, current portion	-	21,382
Total financial assets, at year-end	<u>4,257,329</u>	<u>4,006,610</u>
Less those unavailable for general expenditures within one year, due to:		
Net asset funds with donor restrictions	(1,344,051)	(1,640,151)
Board designated funds	<u>(760,907)</u>	<u>(1,203,846)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,152,371</u></u>	<u><u>\$ 1,162,613</u></u>

To manage liquidity, COTS maintains a line of credit (Note 8) 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 4. Investments

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

	<u>2023</u>		<u>2022</u>	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds	\$ 301,789	\$ 365,889	\$ 292,254	\$ 330,554
CFSC investment funds	<u>734,068</u>	<u>1,460,229</u>	<u>734,068</u>	<u>1,323,240</u>
	<u><u>\$ 1,035,857</u></u>	<u><u>\$ 1,826,118</u></u>	<u><u>\$ 1,026,322</u></u>	<u><u>\$ 1,653,794</u></u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 4. Investments, continued

Investment returns are comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 45,866	\$ 35,927
Net realized gains	9,442	17,181
Net unrealized gains (losses)	<u>148,203</u>	<u>(300,478)</u>
	203,511	(247,370)
Investment management fees	<u>(18,851)</u>	<u>(20,725)</u>
	<u>\$ 184,660</u>	<u>\$ (268,095)</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 5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 456,175	\$ 363,374
Motor vehicles	103,542	103,542
Improvements	260,375	260,375
Buildings	<u>6,523,978</u>	<u>6,523,978</u>
	7,344,070	7,251,269
Less: accumulated depreciation	<u>(4,465,503)</u>	<u>(4,182,256)</u>
	2,878,567	3,069,013
Land	<u>124,816</u>	<u>124,816</u>
	<u>\$ 3,003,383</u>	<u>\$ 3,193,829</u>

Depreciation totaled \$283,247 and \$278,612 for the year ended June 30, 2023 and 2022, respectively.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

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, 2023:

	Level 1	Level 2	Total
<i>Assets:</i>			
Mutual funds	\$ 365,889	\$ -	\$ 365,889
CFSC funds	-	1,460,229	1,460,229

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Total
<i>Assets:</i>			
Mutual funds	\$ 330,554	\$ -	\$ 330,554
CFSC funds	-	1,323,240	1,323,240

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.

Note 7. 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 \$40,433 and \$41,310 for the years ended June 30, 2023 and 2022, respectively. Future amortization of the leasehold interest is the following for the years ending June 30:

2024	\$	23,107
2025		6,448
2026		6,261
2027		6,078
Thereafter		37,862
	\$	<u>79,756</u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 8. Line of Credit

COTS has a line of credit with a financial institution allowing for borrowings up to \$200,000 at 9.75% per annum, maturing February 5, 2024. There were no borrowings against the line of credit at June 30, 2023 and 2022.

Note 9. Government Forgivable Loan and Grant Revenue

In January 2021, COTS applied for and received a second Paycheck Protection Program (“PPP”) loan in the amount of \$581,293 through the Small Business Administration. 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. The loan was fully forgiven in November 2021, and was recognized as government grants and contract revenue on the Statement of Activities and Changes in Net Assets during the year ended June 30, 2022.

Note 10. 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:

	<u>2023</u>	<u>2022</u>
Operational reserve	556,325	\$ 1,014,629
General reserve	138,042	125,092
Capital replacement	66,540	64,125
	<u>\$ 760,907</u>	<u>\$ 1,203,846</u>

Net Assets with Temporary Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Program restrictions	1,344,051	\$ 1,519,961
Time restrictions	-	120,190
	<u>\$ 1,344,051</u>	<u>\$ 1,640,151</u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 10. Net Assets, continued

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

	<u>2023</u>	<u>2022</u>
Investments	\$ 1,322,188	\$ 1,198,149
Restricted cash and cash equivalents	21,863	321,813
Leasehold interest	<u>-</u>	<u>120,189</u>
	<u>\$ 1,344,051</u>	<u>\$ 1,640,151</u>

Note 11. Operating Leases

In addition to the long-term lease agreement with the City of Petaluma as discussed in Note 7, 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 \$159,391 and \$160,698 for the years ended June 30, 2023 and 2022, respectively, based on current rental market rates, and has been recorded as in-kind contribution and in-kind rent expense for the years ended June 30, 2023 and 2022.

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 years ended June 30, 2023 and 2022 are \$631,297 and \$593,824, respectively.

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 years ended June 30, 2023 and 2022.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 13. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2023 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Food	\$ 1,379,627	Food Program	None	Retail market value
Rent	159,391	Permanent Supportive Housing	None	Fair market rent
Gift cards	<u>2,894</u>	All programs	None	Face value
	<u>\$ 1,541,912</u>			

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2022 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Food	\$ 1,327,414	Food Program	None	Retail market value
Rent	160,698	Permanent Supportive Housing	None	Fair market rent
Gift cards	4,005	All programs	None	Face value
Professional fees	<u>530</u>	All programs	None	Market rate
	<u>\$ 1,492,647</u>			

Note 14. Subsequent Events

COTS evaluated subsequent events from July 1, 2023 through January 25, 2024 the date which the financial statements were available to be issued, there are no material subsequent events that required recognition or additional disclosure in these financial statements.