

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

Financial Statements
For the Years Ended June 30, 2024 and 2023

Together with Independent Auditors' Report

Committee on the Shelterless

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



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, 2024 and 2023, 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, 2024 and 2023, 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

May 9, 2025

Committee on the Shelterless

Statements of Financial Position

As of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,511,515	\$ 1,868,814
Accounts receivable	832,374	558,182
Prepaid expenses	<u>100,589</u>	<u>82,525</u>
Total current assets	2,444,478	2,491,873
Restricted cash and cash equivalents	92,449	4,215
Investments	2,062,991	1,826,118
Leasehold interest	56,648	79,756
Property and equipment, net	2,953,008	3,003,383
Deposits	<u>42,976</u>	<u>42,390</u>
Total assets	<u><u>\$ 7,652,550</u></u>	<u><u>\$ 7,447,735</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 597,129	\$ 354,247
Deferred contract revenue	277,449	470,410
Prepaid rent received	<u>3,577</u>	<u>3,374</u>
Total current liabilities	878,155	828,031
Rental deposits	<u>49,038</u>	<u>53,233</u>
Total liabilities	927,193	881,264
Net assets		
Without donor restriction		
Undesignated	4,299,049	4,496,810
Board-designated	846,286	760,907
Total without donor restriction	<u>5,145,335</u>	<u>5,257,717</u>
With donor restriction	<u>1,580,022</u>	<u>1,326,402</u>
Total net assets	<u>6,725,357</u>	<u>6,584,119</u>
Total liabilities and net assets	<u><u>\$ 7,652,550</u></u>	<u><u>\$ 7,465,383</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions of financial assets	\$ 1,356,609	\$ 494,113	\$ 1,850,722
Government grants and contracts	4,323,851	-	4,323,851
Contributions of nonfinancial assets	1,582,792	-	1,582,792
 Total public support	 7,263,252	 494,113	 7,757,365
 Revenue:			
Program fee income	400,801	-	400,801
Investment gain, net	89,105	165,386	254,491
Net assets released from restrictions	405,879	(405,879)	-
 Total support and revenue	 8,159,037	 253,620	 8,412,657
 Expenses:			
Program services			
Shelters	1,989,334	-	1,989,334
Food programs	1,690,018	-	1,690,018
Housing services	2,058,587	-	2,058,587
Recuperative care	365,921	-	365,921
Homelessness services	366,900	-	366,900
 Total program expenses	 6,470,760	 -	 6,470,760
 Support services:			
Management and general	1,240,294	-	1,240,294
Fundraising	560,365	-	560,365
 Total expenses	 8,271,419	 -	 8,271,419
 Change in net assets	 (112,382)	 253,620	 141,238
 Net assets, beginning of year	 5,257,717	 1,326,402	 6,584,119
 Net assets, end of year	 \$ 5,145,335	 \$ 1,580,022	 \$ 6,725,357

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	\$ 1,342,109	\$ 616,397	\$ 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	5,940,150	616,397	6,556,547
Revenue:			
Program fee income	485,455	-	485,455
Investment gain, net	60,621	124,039	184,660
Net assets released from restrictions	1,054,185	(1,054,185)	-
Total support and revenue	7,540,411	(313,749)	7,226,662
Expenses:			
Program services			
Shelters	1,904,455	-	1,904,455
Food programs	1,856,721	-	1,856,721
Housing services	1,666,865	-	1,666,865
Recuperative care	215,487	-	215,487
Homelessness services	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	(138,033)	(313,749)	(451,782)
Net assets, beginning of year	5,395,750	1,640,151	7,035,901
Net assets, end of year	\$ 5,257,717	\$ 1,326,402	\$ 6,584,119

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statement of Functional Expenses For the Year Ended June 30, 2024

	Program Services					Management and General	Fundraising	Total
	Shelters	Food Programs	Housing Services	Recuperative Care	Homelessness Services			
Salaries and wages	\$ 1,044,960	\$ 199,553	\$ 804,540	\$ 215,788	\$ 162,584	\$ 2,427,425	\$ 726,698	\$ 3,457,918
Employee benefits	176,832	29,157	117,986	33,943	26,503	384,421	66,050	478,383
Payroll taxes	87,241	16,884	68,478	18,840	14,179	205,622	54,098	284,764
Total payroll expenses	1,309,033	245,594	991,004	268,571	203,266	3,017,468	846,846	4,221,065
In-kind food expense	-	1,306,520	-	-	-	1,306,520	-	1,306,520
Rent	30,516	-	700,430	-	2,668	733,614	3,840	737,454
Professional fees	279,558	10,917	47,880	12,003	6,542	356,900	249,671	672,731
Depreciation	152,922	46,061	52,855	35,502	3,468	290,808	11,934	306,918
Utilities	77,097	21,580	108,196	22,241	2,546	231,660	9,511	245,395
Direct program expense	27,237	2,177	67,411	778	137,599	235,202	-	235,202
Supplies and equipment	54,903	28,986	21,911	9,211	5,774	120,785	70,188	216,213
Marketing and advertising	-	-	-	-	-	-	15,370	95,796
Liability insurance	25,346	7,217	28,837	7,198	1,985	70,583	3,364	75,461
Repairs and maintenance	24,776	14,898	23,226	6,710	222	69,832	3,183	73,549
Other expense	1,341	1,870	3,641	1,287	273	8,412	9,710	37,061
Travel and mileage	6,429	4,156	8,710	2,154	2,466	23,915	1,400	26,472
Staff development	-	11	17	230	43	301	12,303	12,604
Dues and subscriptions	176	31	68	36	48	359	2,974	4,577
Bad debt expense	-	-	4,401	-	-	4,401	-	4,401
Total expenses	<u>\$ 1,989,334</u>	<u>\$ 1,690,018</u>	<u>\$ 2,058,587</u>	<u>\$ 365,921</u>	<u>\$ 366,900</u>	<u>\$ 6,470,760</u>	<u>\$ 1,240,294</u>	<u>\$ 8,271,419</u>

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	Housing Services	Recuperative Care	Homelessness Services			
Salaries and wages	\$ 962,194	\$ 259,348	\$ 479,952	\$ 128,925	\$ 111,926	\$ 1,942,345	\$ 777,735	\$ 2,986,136
Employee benefits	158,517	36,562	72,135	21,333	20,488	309,035	70,424	406,063
Payroll taxes	81,759	22,766	41,240	11,527	9,679	166,971	63,412	251,896
Total payroll expenses	1,202,470	318,676	593,327	161,785	142,093	2,418,351	911,571	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	613,265
Supplies and equipment	56,634	47,472	25,995	3,320	1,156	134,577	80,332	291,380
Depreciation	126,139	39,564	86,658	8,798	3,609	264,768	13,813	283,247
Utilities	80,815	24,727	140,013	7,016	3,490	256,061	13,841	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	96,849
Liability insurance	19,817	5,757	35,104	1,951	1,318	63,947	2,344	66,962
Marketing and development	-	-	-	-	-	-	11,226	49,954
Other expense	475	1,910	1,660	320	24	4,389	6,644	23,651
Bad debt expense	-	-	11,662	-	-	11,662	-	9,034
Travel and mileage	5,326	3,713	6,117	380	1,436	16,972	1,228	19,734
Dues and subscriptions	55	79	345	7	3	489	10,709	3,033
Staff development	250	8	211	27	251	747	9,001	70
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>\$ 7,678,444</u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Changes in net assets	\$ 141,238	\$ (451,782)
Adjustments to reconcile changes in net assets to cash and cash equivalents used in operations:		
Depreciation and amortization	330,026	323,680
Contributed property and equipment	(15,000)	-
Unrealized net gain on investments	(170,174)	(148,203)
Reinvested interest	(66,699)	(24,121)
Increase in:		
Accounts receivable	(274,192)	(312,395)
Prepaid expenses	(18,064)	(18,893)
Deposits	(586)	(3,685)
Decrease (increase) in:		
Accounts payable and accrued expenses	242,882	25,057
Prepaid rent received	203	(771)
Deferred contract revenue	(192,961)	470,410
Rental deposits	(4,195)	(5,902)
Total cash used in operations	<u>(27,522)</u>	<u>(146,605)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(241,543)</u>	<u>(92,801)</u>
Total cash used in investing activities	<u>(241,543)</u>	<u>(92,801)</u>
Net change in cash and cash equivalents	(269,065)	(239,406)
Cash and cash equivalents at beginning of year	<u>1,873,029</u>	<u>2,112,435</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,603,964</u></u>	<u><u>\$ 1,873,029</u></u>
Unrestricted cash and cash equivalents	\$ 1,511,515	\$ 1,868,814
Restricted cash and cash equivalents	<u>92,449</u>	<u>4,215</u>
Total cash and cash equivalents	<u><u>\$ 1,603,964</u></u>	<u><u>\$ 1,873,029</u></u>

See accompanying Notes to Financial Statements.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

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. 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 Statements 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. Investment earnings are recorded as restricted net assets for certain temporarily restricted funds in accordance with donor stipulations.

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 allowance for credit losses, the collectability of contributions receivables, depreciable lives of property, equipment and improvements, and certain functional allocation of general and administrative costs. Actual results could differ from those estimates.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

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, 2024 and 2023, 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 \$850,000 and \$1,094,000 in deposit in excess of the FDIC insured amount at June 30, 2024 and 2023, 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 \$92,449 and \$4,215 at June 30, 2024 and 2023, respectively.

Accounts Receivable

Accounts receivable primarily consist of program service fees from governmental entities and grantors within California and other miscellaneous billings from various contracts. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization maintains an allowance for credit losses for estimated losses resulting from the inability of the various agencies and individuals to make required payments. Management considers the various factors when determining the collectability of specific accounts. As of June 30, 2024 and 2023, Management believes all accounts receivable balances were collectable. Accordingly, no allowance for credit losses is recorded.

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 Statements of Financial Position.

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.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

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

Leases, continued

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 Statements 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, 2024 and 2023

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

COTS recognizes contract revenue from various program services in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. Revenue is recognized when control of goods or services is transferred to customers in an amount that reflects the consideration expected in exchange or when the related services are performed or goods are delivered. Amounts received in advance are recorded as deferred revenue. Deferred revenue represents funds received before services are provided, and is recognized in the period when the 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 Statements 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, 2024 and 2023, COTS received \$1,582,792 and \$1,541,912 respectively, of in-kind donations, which consisted primarily of food for the kitchen program and in-kind rent (Note 10). 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, 2024 and 2023

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, 2024 and 2023.

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, 2024, 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 Statements of Activities and Changes in Net Assets, and listed by the nature of the expenses in the Statements 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 June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires the use of the current expected credit loss (CECL) impairment model, which is based on expected losses rather than incurred losses. Under the new guidance, when an organization acquires a financial instrument such as accounts and contracts receivable, it immediately recognizes an allowance equal to its estimate of expected credit losses over the life of the financial instrument. The likely result is that the organization will record an allowance for expected credit losses on accounts receivable earlier under a CECL model than it would under the prior incurred loss model. CECL does not apply to contributions or pledges receivable. The Organization applied Topic 326 to reporting periods beginning on July 1, 2023. Topic 326 did not have a material impact on the financial statements of the Organization.

Reclassifications

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, 2024 and 2023

Note 3. Liquidity and Availability of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,603,964	\$ 1,873,029
Investments	2,062,991	1,826,118
Accounts receivable	<u>832,374</u>	<u>558,182</u>
Total financial assets, at year-end	4,499,329	4,257,329
Less those unavailable for general expenditures within one year, due to:		
Net asset funds with donor restrictions	(1,580,022)	(1,326,402)
Board designated funds	<u>(846,286)</u>	<u>(760,907)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,073,021</u>	<u>\$ 2,170,020</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>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Mutual funds	\$ 319,593	\$ 420,108	\$ 301,789	\$ 365,889
CFSC investment funds	<u>734,068</u>	<u>1,642,883</u>	<u>734,068</u>	<u>1,460,229</u>
	<u>\$ 1,053,661</u>	<u>\$ 2,062,991</u>	<u>\$ 1,035,857</u>	<u>\$ 1,826,118</u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 4. Investments, *continued*

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

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 59,876	\$ 45,866
Net realized gains	48,144	9,442
Net unrealized gains (losses)	<u>170,174</u>	<u>148,203</u>
	278,194	203,511
Investment management fees	<u>(23,703)</u>	<u>(18,851)</u>
	<u>\$ 254,491</u>	<u>\$ 184,660</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>2024</u>	<u>2023</u>
Computers and equipment	\$ 456,175	\$ 456,175
Motor vehicles	125,304	103,542
Improvements	260,375	260,375
Buildings	<u>6,523,978</u>	<u>6,523,978</u>
	7,365,832	7,344,070
Less: accumulated depreciation	<u>(4,772,421)</u>	<u>(4,465,503)</u>
Net depreciable assets	2,593,411	2,878,567
Land	124,816	124,816
Construction in progress	<u>234,781</u>	<u>-</u>
	<u>\$ 2,953,008</u>	<u>\$ 3,003,383</u>

Depreciation totaled \$306,918 and \$283,247 for the year ended June 30, 2024 and 2023, respectively.

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

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, 2024:

	Level 1	Level 2	Total
<i>Assets:</i>			
Mutual funds	\$ 420,108	\$ -	\$ 420,108
CFSC funds	-	1,642,883	1,642,883

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 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 the 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 \$23,108 and \$40,433 for the years ended June 30, 2024 and 2023, respectively. Future amortization of the leasehold interest is the following for the years ending June 30:

2025	\$ 6,448
2026	6,261
2027	6,078
2028	5,900
Thereafter	31,961
	<u>\$ 56,648</u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 8. Line of Credit

COTS has a line of credit with a financial institution allowing for borrowings up to \$500,000 at 9.75% per annum, matured March 5, 2025. Subsequent to year-end in March 2025, the maturity date was extended to March 5, 2026. There were no borrowings against the line of credit at June 30, 2024 and 2023.

Note 9. 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>2024</u>	<u>2023</u>
Operational reserve	\$ 620,839	\$ 556,325
General reserve	155,309	138,042
Capital replacement	70,138	66,540
	<u>\$ 846,286</u>	<u>\$ 760,907</u>

Net Assets with Temporary Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Program restrictions	\$ 1,555,022	\$ 1,326,402
Time restrictions	25,000	-
	<u>\$ 1,580,022</u>	<u>\$ 1,326,402</u>

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

	<u>2024</u>	<u>2023</u>
Investments	\$ 1,487,573	\$ 1,322,187
Restricted cash and cash equivalents	92,449	4,215
	<u>\$ 1,580,022</u>	<u>\$ 1,326,402</u>

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 10. 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 \$167,981 and \$159,391 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023 are \$737,454 and \$631,297, respectively.

Note 11. 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, 2024 and 2023.

Note 12. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2024 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Food	\$ 1,306,520	Food Program	None	Retail market value
Rent	167,981	Permanent Supportive Housing	None	Fair market rent
Professional services	88,222	General Operations	None	Face value
Vehicle	15,000	Residential	None	Fair market value
Gift cards	<u>5,069</u>	All programs	None	Face value
	<u>\$ 1,582,792</u>			

Committee on the Shelterless

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 12. Contributions of Nonfinancial Assets, *continued*

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

Category	Revenue Recognized	Utilization in Programs or Activities	Donor Restrictions	Valuation Techniques
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>			

Note 13. Subsequent Events

COTS evaluated subsequent events from July 1, 2024 through May 9 2025, the date which the financial statements were available to be issued, and determined that other than the extension of the expiration date for the line of credit agreement as discussed in Note 8, there are no material subsequent events that required recognition or additional disclosure in these financial statements.