



COMMITTEE ON TEMPORARY SHELTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

COMMITTEE ON TEMPORARY SHELTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

COMMITTEE ON TEMPORARY SHELTER, INC.

TABLE OF CONTENTS

SEPTEMBER 30, 2018 AND 2017

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 10
Statements of Cash Flows	11 - 12
Notes to Financial Statements	13 - 23



VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Committee on Temporary Shelter, Inc.
Burlington, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Committee on Temporary Shelter, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

336 Water Tower Circle, Suite 801 ■ Colchester, VT 05446 ■ 802 655 5665 ■ FAX: 802 655 5666 ■ JMM@JMMCPA.NET

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Committee on Temporary Shelter, Inc. as of September 30, 2018 and 2017, 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.

Jmm & Associates

April 15, 2019

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash - unrestricted	\$ (43,495)	\$ 5,254
Cash - restricted	233,105	222,879
Grants and contracts receivable	103,109	42,502
Prepaid expenses	18,862	44,518
Current portion of gifts receivable	128,875	179,057
Rents receivable	5,118	4,865
	<u>445,574</u>	<u>499,075</u>
TOTAL CURRENT ASSETS		
	<u>445,574</u>	<u>499,075</u>
PROPERTY AND EQUIPMENT		
Land, buildings and equipment	4,384,365	4,283,626
Less accumulated depreciation	<u>(2,509,112)</u>	<u>(2,361,904)</u>
	<u>1,875,253</u>	<u>1,921,722</u>
TOTAL PROPERTY AND EQUIPMENT		
	<u>1,875,253</u>	<u>1,921,722</u>
OTHER ASSETS		
Restricted cash - non current	176,697	169,737
Gifts receivable, net	53,720	74,710
Notes receivable	906,000	906,000
Investments in marketable securities	2,551,139	2,367,081
Investment in COTS Housing Inc.	<u>2,343,126</u>	<u>2,343,126</u>
	<u>6,030,682</u>	<u>5,860,654</u>
TOTAL OTHER ASSETS		
	<u>6,030,682</u>	<u>5,860,654</u>
TOTAL ASSETS	<u>\$ 8,351,509</u>	<u>\$ 8,281,451</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Current portion of long-term debt	\$ -	\$ 12,337
Accounts payable	17,951	27,797
Accrued payroll and related taxes	164,678	205,026
Accrued expenses	42,720	26,214
Deferred revenue	31,915	24,179
TOTAL CURRENT LIABILITIES	<u>257,264</u>	<u>295,553</u>
 LONG-TERM LIABILITIES		
Security deposits payable	4,411	4,221
TOTAL LONG-TERM LIABILITIES	<u>4,411</u>	<u>4,221</u>
TOTAL LIABILITIES	<u>261,675</u>	<u>299,774</u>
 NET ASSETS		
Unrestricted:		
Designated:		
Smith House	28,121	20,554
Main Street and Firehouse	92,323	89,559
Waystation	60,382	77,304
Wilson	70,192	83,694
St. John's Hall	134,310	139,454
Undesignated	6,473,269	6,253,526
Total unrestricted	<u>6,858,597</u>	<u>6,664,091</u>
Temporarily restricted	1,231,237	1,317,586
TOTAL NET ASSETS	<u>8,089,834</u>	<u>7,981,677</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,351,509</u>	<u>\$ 8,281,451</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Public contributions	\$ 1,682,886	\$ 1,420,198
Program grants	794,415	852,193
United Way	81,419	114,362
Rent and program income	619,922	595,214
Donated rent and services	-	595
Miscellaneous income	-	2,373
Gain (loss) on disposal of assets	1,195	(3,604)
Investment income, net	194,645	206,531
Subtotal - Support and Revenue	<u>3,374,482</u>	<u>3,187,862</u>
Net assets released from restrictions	<u>345,849</u>	<u>1,528,214</u>
TOTAL SUPPORT AND REVENUE	<u>3,720,331</u>	<u>4,716,076</u>
EXPENSES		
Program services:		
Veterans housing	233,243	219,613
Prevention services	702,640	460,573
Family shelters	871,034	813,546
Individual shelters	613,697	618,243
Case management	-	373,629
Transitional housing	73,206	67,140
Permanent housing	<u>329,477</u>	<u>278,112</u>
Total Program services	<u>2,823,297</u>	<u>2,830,856</u>
Support services:		
General and administrative	256,410	233,083
Fundraising	411,879	417,218
Capital campaign	34,239	72,610
Total Support services	<u>702,528</u>	<u>722,911</u>
TOTAL EXPENSES	<u>3,525,825</u>	<u>3,553,767</u>
CHANGE IN UNRESTRICTED NET ASSETS	194,506	1,162,309
BEGINNING UNRESTRICTED NET ASSETS	<u>6,664,091</u>	<u>5,501,782</u>
ENDING UNRESTRICTED NET ASSETS	<u>\$ 6,858,597</u>	<u>\$ 6,664,091</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS SUPPORT AND REVENUE		
Contributions	\$ 250,000	\$ 202,600
Capital gifts	9,500	198,586
	<u>259,500</u>	<u>401,186</u>
Net assets released from restrictions	<u>(345,849)</u>	<u>(1,528,214)</u>
TOTAL SUPPORT AND REVENUE	<u>(86,349)</u>	<u>(1,127,028)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(86,349)	(1,127,028)
BEGINNING TEMPORARILY RESTRICTED NET ASSETS	<u>1,317,586</u>	<u>2,444,614</u>
ENDING TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,231,237</u>	<u>\$ 1,317,586</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 108,157</u>	<u>\$ 35,281</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Veterans Housing	Prevention Services	Family Shelters	Individual Shelters	Transitional Housing	Permanent Housing
Salaries and wages	\$ 44,453	\$ 390,909	\$ 573,975	\$ 410,181	\$ 13,907	\$ 38,198
Payroll taxes	3,314	29,277	43,496	30,985	1,052	2,883
Fringe benefits	2,511	43,983	75,181	44,056	1,582	3,661
Total Personnel	<u>50,278</u>	<u>464,169</u>	<u>692,652</u>	<u>485,222</u>	<u>16,541</u>	<u>44,742</u>
Occupancy	165,075	43,394	91,943	60,243	22,293	124,298
Prevention	-	141,476	-	-	5,000	45,590
Depreciation	2,742	8,545	32,668	20,222	18,339	54,299
Office expenses	5,199	23,563	12,765	11,585	1,341	1,532
Other expenses	65	293	8,600	3,666	3,713	42,439
Advertising and promotion	1,126	1,434	1,372	735	39	83
Insurance	2,063	3,685	10,599	8,884	2,889	11,544
Contract labor	-	-	-	8,296	-	-
Client supplies and activities	4,654	10,013	9,379	8,482	915	649
Accounting and audit	982	4,012	7,334	5,015	494	1,320
Legal and professional	857	400	2,727	799	1,599	2,593
Travel	187	1,441	646	326	30	89
Training and development	15	215	349	222	13	25
Interest	-	-	-	-	-	274
Donated services	-	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 233,243</u>	<u>\$ 702,640</u>	<u>\$ 871,034</u>	<u>\$ 613,697</u>	<u>\$ 73,206</u>	<u>\$ 329,477</u>

See accompanying notes.

	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2018 Total	2017 Total
Salaries and wages	\$ 1,471,623	\$ 190,091	\$ 202,030	\$ -	\$ 392,121	\$ 1,863,744	\$ 1,842,105
Payroll taxes	111,007	14,187	14,439	-	28,626	139,633	138,057
Fringe benefits	170,974	21,380	29,996	-	51,376	222,350	216,675
Total Personnel	<u>1,753,604</u>	<u>225,658</u>	<u>246,465</u>	-	<u>472,123</u>	<u>2,225,727</u>	<u>2,196,837</u>
Occupancy	507,246	11,308	18,386	-	29,694	536,940	570,768
Prevention	192,066	-	-	-	-	192,066	127,815
Depreciation	136,815	5,366	6,727	-	12,093	148,908	135,980
Office expenses	55,985	11,088	40,049	-	51,137	107,122	108,529
Other expenses	58,776	326	329	34,239	34,894	93,670	108,212
Advertising and promotion	4,789	132	51,685	-	51,817	56,606	81,459
Insurance	39,664	1,411	1,924	-	3,335	42,999	44,802
Contract labor	8,296	-	33,500	-	33,500	41,796	49,314
Client supplies and activities	34,092	-	-	-	-	34,092	45,454
Accounting and audit	19,157	1,089	12,373	-	13,462	32,619	38,780
Legal and professional	8,975	-	-	-	-	8,975	27,014
Travel	2,719	1	300	-	301	3,020	3,041
Training and development	839	31	141	-	172	1,011	14,363
Interest	274	-	-	-	-	274	804
Donated services	-	-	-	-	-	-	595
TOTAL EXPENSES	<u>\$ 2,823,297</u>	<u>\$ 256,410</u>	<u>\$ 411,879</u>	<u>\$ 34,239</u>	<u>\$ 702,528</u>	<u>\$ 3,525,825</u>	<u>\$ 3,553,767</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Veterans Housing	Prevention Services	Family Shelters	Individual Shelters	Case Management	Transitional Housing
Salaries and wages	\$ 42,509	\$ 221,111	\$ 521,245	\$ 401,061	\$ 264,505	\$ 8,521
Payroll taxes	3,132	16,558	39,242	30,238	19,616	644
Fringe benefits	5,674	25,724	69,646	36,478	38,887	1,145
Total Personnel	<u>51,315</u>	<u>263,393</u>	<u>630,133</u>	<u>467,777</u>	<u>323,008</u>	<u>10,310</u>
Occupancy	148,803	16,958	89,714	79,914	21,195	20,284
Depreciation	4,865	1,706	30,594	12,496	1,905	17,616
Prevention	-	127,815	-	-	-	-
Office expenses	3,429	17,467	13,495	11,247	10,344	927
Other expenses	137	7,652	9,448	8,078	613	123
Advertising and promotion	976	4,156	1,928	1,772	2,094	163
Contract labor	114	1,067	1,440	10,047	1,335	76
Client supplies and activities	5,086	11,605	5,829	5,179	3,426	13,671
Insurance	2,193	1,930	10,857	9,190	2,296	3,002
Accounting and audit	1,189	2,962	9,585	5,795	3,621	590
Legal and professional	1,120	1,288	6,235	3,961	1,567	129
Training and development	336	1,649	3,780	2,388	1,635	225
Travel	50	925	508	399	590	24
Interest	-	-	-	-	-	-
Donated services	-	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 219,613</u>	<u>\$ 460,573</u>	<u>\$ 813,546</u>	<u>\$ 618,243</u>	<u>\$ 373,629</u>	<u>\$ 67,140</u>

See accompanying notes.

	Permanent Housing	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2017 Total
Salaries and wages	\$ 18,956	\$ 1,477,908	\$ 168,863	\$ 195,334	\$ -	\$ 364,197	\$ 1,842,105
Payroll taxes	1,432	110,862	12,818	14,377	-	27,195	138,057
Fringe benefits	2,417	179,971	13,570	23,134	-	36,704	216,675
Total Personnel	22,805	1,768,741	195,251	232,845	-	428,096	2,196,837
Occupancy	169,358	546,226	11,807	12,735	-	24,542	570,768
Depreciation	57,525	126,707	5,652	3,621	-	9,273	135,980
Prevention	-	127,815	-	-	-	-	127,815
Office expenses	1,301	58,210	9,290	41,029	-	50,319	108,529
Other expenses	192	26,243	631	8,728	72,610	81,969	108,212
Advertising and promotion	335	11,424	1,910	68,125	-	70,035	81,459
Contract labor	153	14,232	791	34,291	-	35,082	49,314
Client supplies and activities	658	45,454	-	-	-	-	45,454
Insurance	12,097	41,565	1,389	1,848	-	3,237	44,802
Accounting and audit	1,468	25,210	2,234	11,336	-	13,570	38,780
Legal and professional	10,904	25,204	905	905	-	1,810	27,014
Training and development	462	10,475	3,074	814	-	3,888	14,363
Travel	50	2,546	54	441	-	495	3,041
Interest	804	804	-	-	-	-	804
Donated services	-	-	95	500	-	595	595
TOTAL EXPENSES	\$ 278,112	\$ 2,830,856	\$ 233,083	\$ 417,218	\$ 72,610	\$ 722,911	\$ 3,553,767

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contracts	\$ 741,544	\$ 863,943
Cash received from contributions	2,024,514	1,699,951
Rent and miscellaneous income	619,859	598,243
Interest received	75,721	70,534
Cash paid to suppliers for goods and services	(1,133,216)	(1,200,889)
Cash paid for salaries, taxes and benefits	(2,266,075)	(2,163,789)
Interest paid	(274)	(45,454)
	62,073	(177,461)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	-
Purchases of fixed assets	(102,439)	(258,923)
Investment in COTS Housing, Inc.	-	(873,181)
Loans to 95 North Avenue Limited Partnership	-	(25,000)
Proceeds from sales of investments	932,211	1,328,136
Purchases of investments	(981,534)	(675,434)
	(151,762)	(504,402)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(12,337)	(13,485)
Transfers (to)/from restricted cash	(17,186)	1,036,217
Cash received from capital gifts	70,463	260,834
	40,940	1,283,566
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH	(48,749)	601,703
BEGINNING CASH - UNRESTRICTED	5,254	(596,449)
ENDING CASH - UNRESTRICTED	\$ (43,495)	\$ 5,254

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	\$ 108,157	\$ 35,281
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	148,908	135,980
Capital gifts	(9,500)	(198,586)
Unrealized gain on investments	(62,480)	(150,578)
Realized (gain) loss on investments	(71,059)	1,341
(Gain) loss on disposal of assets	(1,195)	3,604
(Increase) decrease in:		
Rents receivable	(253)	827
Grants and contracts receivable	(60,607)	19,339
Gifts receivable	10,209	(37,209)
Prepaid expenses	25,656	877
Increase (decrease) in:		
Accounts payable	(9,846)	(10,711)
Accrued payroll and related taxes	(40,349)	33,047
Accrued expenses	16,506	(2,913)
Deferred revenue	7,736	(7,590)
Security deposits payable	190	(170)
 Total adjustments	 (46,084)	 (212,742)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ 62,073	 \$ (177,461)

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Committee on Temporary Shelter, Inc. (COTS) is a nonprofit organization, incorporated in the State of Vermont on December 15, 1983. COTS is the largest service provider for the homeless and those at risk of becoming homeless in Vermont. Funding for the Organization is provided by various federal, state and private grants. Additionally, contributions from individuals, foundations, businesses, religious organizations, and others provide funds to supplement grants for specific programs.

COTS provides emergency shelter, prevention services and housing for people who are without homes or who are marginally housed. COTS advocates for long-term solutions to end homelessness. We believe in the value and dignity of every human life; we believe that emergency shelter is not the answer to homelessness; and we believe that housing is a fundamental human right.

Programs and activities

COTS' program services include:

Veterans Housing Project - In February 2011, COTS opened a new facility in Winooski to provide 16 units of transitional housing for homeless veterans, or those at risk of homelessness. Veterans can live in this housing for up to two years, and will receive support services to address their complex needs and assist them in moving toward housing stability. In addition to Veterans Housing, the building provides 12 units of affordable, permanent housing for tenants meeting income requirements.

Prevention Services - The Housing Resource Center was opened in 2008 and provides housing retention, placement and comprehensive outreach services to homeless and low-income persons.

Housing Navigation Services - COTS' Housing Navigators provide one-on-one services to families and individuals with an intense focus on housing placement and connection to resources to enhance household income. The Housing Navigators also connect clients to a broad range of federal, state and community resources including government assistance, employment support services, financial literacy, and asset building programs.

Emergency Shelters for Families - The Firehouse Family Shelter (opened in 1988) and Main Street Family Shelter (opened in 2002) are the only two family shelters in Chittenden County. They provide temporary shelter for 15 families with children.

Emergency Shelters for Single Adults - The Waystation (opened in 1982) is a 36-bed emergency shelter for men and women, ages 18 and older, that provides safe and decent shelter 365 nights a year. The Daystation (opened in 1988) is a daytime drop-in center offering refuge from the streets every day from 9am - 5pm.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and activities (continued)

Transitional Housing - The Smith House opened in 2002 to provide chronically homeless and hardest-to-house individuals moving out of shelter with transitional housing for four to six months. The Smith House has seven single-room occupancy units and full-time support personnel.

Permanent Housing - The Wilson Hotel (purchased in 1984) and St. John's Hall (purchased in 1991) provide 40 single-room occupancy (SRO) units and four apartments - permanent housing for formerly homeless as well as low-income senior citizens and veterans. In the renovated 95 North Avenue building and as part of a limited partnership ownership interest, COTS owns 14 units of permanently affordable housing.

More detailed information on all of the Organization's programs may be found by visiting www.cotsonline.org.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded as incurred.

Financial statement presentation

The Committee on Temporary Shelter, Inc. is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of September 30, 2018 or 2017.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, Committee on Temporary Shelter, Inc. considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank per depositor. Amounts in excess of the FDIC limit were \$95,490 and \$0 as of September 30, 2018 and 2017, respectively.

Investments

The Committee on Temporary Shelter, Inc. is required to report marketable equity securities and all debt instruments in the Statements of Financial Position at fair market value. Any realized or unrealized gain and loss, interest or dividends are reported as investment income in the Statements of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Donated investments are treated as fair value at the date of receipt, which is then treated as cost.

Functional allocation of expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on methods determined by management.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at cost, if purchased, or fair market value if donated. Betterments that materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the appropriate program. COTS' policy is to capitalize acquisitions over \$1,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Depreciation expense was \$148,908 and \$135,980 for the years ended September 30, 2018 and 2017, respectively.

Advertising

Advertising costs are charged to expense when incurred. Advertising expenses were \$56,606 and \$81,459 for the years ended September 30, 2018 and 2017, respectively.

Income taxes

The Committee on Temporary Shelter, Inc. is a nonprofit corporation exempt from income taxes under IRC Section 501(c)(3) except for net income derived from unrelated business income activities, if any. COTS has been classified as an organization that is not a private foundation under IRC 509(a)(2), and donations to the Organization qualify as charitable deductions for individual donors. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Contributions

The Committee on Temporary Shelter, Inc. reports its contributions as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by COTS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of COTS. Contributions of long-lived assets or cash used to acquire long-lived assets (property and equipment) are released from time restrictions, if not expressed by the donor, over the asset's expected useful life. There are no permanently restricted net assets to report.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services, assets and facilities

Donated services that meet certain criteria are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Numerous volunteers perform various clerical functions to support program activities, and no amounts have been recorded for these services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grant and contract support

The Committee on Temporary Shelter, Inc. recognizes grant and contract funds on an exchange basis. As such, revenues are booked as the grant is earned. In accordance with the normal policies of the contracting organizations, COTS may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of each grant or contract, as defined. The organizations may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by COTS with the terms of the grants or contracts. In addition, if COTS terminates providing services, all unexpended funds are to be returned to the funding sources.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified in order to provide an improved comparison with the 2018 financial statements.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

2) RESTRICTED CASH

Restricted cash is maintained in accordance with donor requests. Restricted cash consists of restricted gifts received for the following at September 30:

	<u>2018</u>	<u>2017</u>
Programs	\$ 233,105	\$ 222,879
Capital campaign	<u>176,697</u>	<u>169,737</u>
	<u>\$ 409,802</u>	<u>\$ 392,616</u>

Restricted cash is presented in the Statements of Financial Position as of September 30:

	<u>2018</u>	<u>2017</u>
Current	\$ 233,105	\$ 222,879
Noncurrent	<u>176,697</u>	<u>169,737</u>
	<u>\$ 409,802</u>	<u>\$ 392,616</u>

3) GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent grants due from the grantor in less than one year. Due to the current nature of the amounts, no allowance for uncollectible accounts has been recorded. There was no bad debt expense related to grants receivable for the years ended September 30, 2018 or 2017.

4) GIFTS RECEIVABLE

Gifts receivable consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 128,875	\$ 194,057
Receivable in one to three years	<u>53,720</u>	<u>74,710</u>
	182,595	268,767
Less allowance for doubtful accounts	<u>-</u>	<u>(15,000)</u>
	<u>\$ 182,595</u>	<u>\$ 253,767</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

4) GIFTS RECEIVABLE (continued)

Gifts receivable are recorded in the Statements of Financial Position as of September 30:

	<u>2018</u>	<u>2017</u>
Current	\$ 128,875	\$ 179,057
Noncurrent	<u>53,720</u>	<u>74,710</u>
	<u>\$ 182,595</u>	<u>\$ 253,767</u>

Management has deemed the discount to net present value to be immaterial.

5) NOTES RECEIVABLE

In December 2015, COTS received a promissory note receivable from 95 North Avenue Limited Partnership for \$216,000. The note bears no interest, is due December 11, 2035 and is secured by a mortgage deed of the Borrower's affordable housing development at 95 North Avenue in Burlington, Vermont.

On the same date, COTS received an additional promissory note receivable from 95 North Avenue Limited Partnership for \$165,000. The note bears no interest, is due December 11, 2035 and is secured by a mortgage deed of the Borrower's affordable housing development at 95 North Avenue in Burlington, Vermont.

On the same date, COTS received a third promissory note receivable from 95 North Avenue Limited Partnership for \$100,000. The note bears no interest, is due December 11, 2035 and is secured by a mortgage deed of the Borrower's affordable housing development at 95 North Avenue in Burlington, Vermont.

In 2016, COTS received a \$400,000 grant from the Federal Home Loan Bank which was deposited directly into the 95 North Avenue Limited Partnership and recorded as a note payable to COTS. The note bears no interest, is due April 1, 2032, and is secured by a mortgage deed of the Borrower's affordable housing development at 95 North Avenue in Burlington, Vermont.

In FY2017, COTS received a \$25,000 grant from the City of Burlington and loaned the funds to 95 North Avenue Limited Partnership. The note bears no interest, is due December 11, 2035 and is secured by a mortgage deed of the Borrower's affordable housing development at 95 North Avenue in Burlington, Vermont.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 3,570,015	\$ 3,491,997
Equipment	674,600	651,879
Land and easement	139,750	139,750
	<u>4,384,365</u>	<u>4,283,626</u>
Accumulated depreciation	<u>(2,509,112)</u>	<u>(2,361,904)</u>
	<u>\$ 1,875,253</u>	<u>\$ 1,921,722</u>

Effective December 11, 2015, COTS sold its property at 95 North Avenue and Haswell Street to a new entity, 95 North Avenue Limited Partnership. The net book value of the transferred property was approximately \$1.2 million and the loss on the sale was \$4,150.

7) INVESTMENTS IN MARKETABLE SECURITIES

The Committee on Temporary Shelter, Inc. values its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair market value on a recurring basis. Fair market value for investments are determined by "Level 1" inputs by reference to unadjusted quoted prices in active markets.

Investments consist of the following at:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2018:			
Cash and money funds	\$ 130,478	\$ 130,478	\$ -
Equity securities, mutual funds and other assets	1,459,094	1,129,097	329,997
Fixed income securities	961,567	1,000,868	(39,301)
	<u>\$ 2,551,139</u>	<u>\$ 2,260,443</u>	<u>\$ 290,696</u>
September 30, 2017:			
Cash and money funds	\$ 64,851	\$ 64,851	\$ -
Equity securities and mutual funds	1,454,885	1,211,442	243,443
Fixed income securities and mutual funds	847,345	862,572	(15,227)
	<u>\$ 2,367,081</u>	<u>\$ 2,138,865</u>	<u>\$ 228,216</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

7) INVESTMENTS IN MARKETABLE SECURITIES (continued)

Investment return consists of the following for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 75,721	\$ 70,534
Realized gain (loss)	71,059	(1,341)
Unrealized gain	62,480	150,578
Investment fees	<u>(14,615)</u>	<u>(13,240)</u>
	<u>\$ 194,645</u>	<u>\$ 206,531</u>

8) INVESTMENT IN COTS HOUSING, INC.

In August 2015, COTS created a wholly-owned subsidiary entity, COTS Housing, Inc., which is a general partner with a 0.0045% equity interest in 95 North Avenue Limited Partnership. The total equity investments at September 30, 2018 and 2017 were \$2,343,126 (Note 15).

9) LONG-TERM DEBT

Long-term debt consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Community Bank, N.A. (formerly Merchants Bank):		
Mortgage note payable in monthly installments of \$1,190, including interest at 3.75%, due September 4, 2018, collateralized by first mortgage on St. John's Hall	\$ -	\$ 12,337
Less current portion	-	<u>(12,337)</u>
	<u>\$ -</u>	<u>\$ -</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

10) LEASES

In January 2011, COTS entered into a 30-year lease agreement with Canal St. Housing Limited Partnership for a housing program at the Canal Street veterans housing project in Winooski, Vermont. COTS Veterans Housing Inc., a subsidiary of COTS, owns 0.5% of the Partnership. The lease requires monthly payments of \$11,844, which can be adjusted annually based on actual square footage and unit expenses as calculated by the Partnership.

In June 2015, COTS signed a lease for program space in Burlington under an operating lease that required monthly payments of \$2,200 and expired in April 2017.

Effective April 1, 2017, COTS signed an operating lease with 95 North Avenue Limited Partnership, a related party. The lease, which expires on March 31, 2033, contains two components. First, COTS will pay monthly rent of \$352 to be increased by 3% annually to fund a maintenance reserve for the 95 North Avenue property. Second, COTS will pay monthly rent of \$5,958 for the first year, thereafter to be computed as the share of the common area costs attributable to the portion occupied by COTS.

Total facility rent expenses were \$223,158 and \$199,714 for the years ended September 30, 2018 and 2017, respectively.

Future minimum lease commitments for the years ending September 30 are as follows:

2019	\$ 227,000
2020	226,000
2021	226,000
2022	226,000
2023	225,000
Thereafter	<u>3,094,000</u>
	<u>\$ 4,224,000</u>

11) RETIREMENT PLAN

COTS sponsors a discretionary contribution 403(b) plan which matched 100% of eligible employees' contributions up to 1% of salary for participants with one to three years of service, and up to 2% of salary for participants with three or more years of service. The employer contribution vests after two years of service to COTS. Total retirement expenses were \$39,950 and \$39,661 for the years ended September 30, 2018 and 2017, respectively.

12) COMMITMENTS AND CONTINGENCIES

COTS' Main Street Family Shelter is subject to a housing subsidy covenant under which the property must be maintained as affordable residential housing, and the property may not be sold without written permission from the Vermont Housing and Conservation Board.

COTS has agreed to provide rental assistance and services to the tenants of 95 North Avenue.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

13) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30:

	<u>2018</u>	<u>2017</u>
Restricted property	\$ 638,840	\$ 671,203
Capital campaign	189,292	228,295
Housing Resource Center	185,997	180,244
Future periods	118,429	93,429
Risk pool	78,505	78,505
Children's enrichment	13,505	49,241
Home Again	6,669	6,669
Housing VT EP	-	10,000
	<u>\$ 1,231,237</u>	<u>\$ 1,317,586</u>

14) CANAL STREET VETERANS HOUSING

In 2009, COTS formed a subsidiary, COTS Veterans Housing, Inc., a public benefit nonprofit corporation. COTS Veterans Housing, Inc. was organized to develop and maintain safe and sanitary transitional housing for veterans and affordable permanent housing.

In collaboration with Housing Vermont, Inc., COTS developed a housing project in Winooski known as Canal Street Housing. This facility consists of 28 rental apartment units, of which 16 are used for temporary housing for homeless veterans and 12 are used for long-term affordable housing. The building opened for occupancy in January 2011.

After completion, the project was transferred to a limited partnership, Canal Street Housing Limited Partnership. COTS Veterans Housing, Inc. owns 0.5% of the limited partnership. The activity of COTS Veterans Housing, Inc. is immaterial to the financial statements and, therefore, is not consolidated.

15) CAPITAL CAMPAIGN

In July 2015, COTS commenced the "95 North - Bringing It All Home" capital campaign. The campaign funds allowed COTS to invest in the cost of renovating its property at 95 North Avenue, which was funded from tax credit financing and publicly-funded grants. The renovated building includes a permanent location for the Daystation and created 14 new affordable apartments for people who are homeless, and renovated and upgraded program spaces for family and prevention services. The renovated building allows consolidation of many COTS programs and administrative functions in one building, and the realization of associated efficiencies. The capital campaign, which was completed in FY2016, exceeded its goal.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

15) CAPITAL CAMPAIGN (continued)

A component of the capital campaign included the transfer of the property at 95 North Avenue and Haswell Street to a new partnership, 95 North Avenue Limited Partnership, in which COTS' wholly-owned subsidiary, COTS Housing, Inc. is one of the general partners and owns 0.0045% of the new partnership. The transfer of the property was completed in FY2016. In exchange for the transfer of the property, COTS received an investment in the limited partnership. The net book value of the property transferred was approximately \$1.2 million. COTS received a total equity interest in the Partnership of \$1,469,945 based on the property transferred and cash infusions. In 2017, COTS contributed an additional \$873,181 to the Partnership, resulting in a total equity investment of \$2,343,126 at September 30, 2018 and 2017.

16) SUBSEQUENT EVENTS

The Committee on Temporary Shelter, Inc. has evaluated events and transactions for potential recognition or disclosure through April 15, 2019, the date the financial statements were available to be issued.