



**COMMITTEE ON TEMPORARY SHELTER, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**JMM & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMITTEE ON TEMPORARY SHELTER, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

COMMITTEE ON TEMPORARY SHELTER, INC.

TABLE OF CONTENTS

SEPTEMBER 30, 2019 AND 2018

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statement of Functional Expenses - 2019	7 - 8
Statement of Functional Expenses - 2018	9 - 10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 22



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, 2019 and 2018, 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

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## 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, 2019 and 2018, 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*

March 16, 2020

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ (77,193)	\$ (43,495)
Cash - restricted	235,475	233,105
Grants, contracts and rents receivable	106,108	108,227
Prepaid expenses	47,427	18,862
Current portion of gifts receivable	<u>150,456</u>	<u>128,875</u>
 <b>TOTAL CURRENT ASSETS</b>	 <u>462,273</u>	 <u>445,574</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land, buildings and equipment	4,555,380	4,384,365
Less accumulated depreciation	<u>(2,636,159)</u>	<u>(2,509,112)</u>
 <b>TOTAL PROPERTY AND EQUIPMENT</b>	 <u>1,919,221</u>	 <u>1,875,253</u>
 <b>OTHER ASSETS</b>		
Restricted cash - noncurrent	136,212	176,697
Gifts receivable, net of allowance	40,000	53,720
Notes receivable	906,000	906,000
Investments in marketable securities	2,409,287	2,551,139
Investment in COTS Housing Inc.	<u>2,343,126</u>	<u>2,343,126</u>
 <b>TOTAL OTHER ASSETS</b>	 <u>5,834,625</u>	 <u>6,030,682</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 8,216,119</u>	 <u>\$ 8,351,509</u>

See accompanying notes.

## LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u> <u>(as restated)</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,834	\$ 17,951
Accrued payroll and related taxes	182,543	164,678
Accrued expenses	26,524	42,720
Deferred revenue	24,043	31,915
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<u>256,944</u>	<u>257,264</u>
 <b>LONG-TERM LIABILITIES</b>		
Security deposits payable	<u>4,302</u>	<u>4,411</u>
	<hr/>	<hr/>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>4,302</u>	<u>4,411</u>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<u>261,246</u>	<u>261,675</u>
 <b>NET ASSETS</b>		
Net assets without donor restrictions:		
Designated:		
Smith House	36,318	28,121
Main Street and Firehouse	25,985	92,323
Waystation	74,676	60,382
Wilson	64,889	70,192
St. John's Hall	136,172	134,310
Undesignated	<u>7,054,690</u>	<u>7,112,109</u>
Total net assets without donor restrictions	<u>7,392,730</u>	<u>7,497,437</u>
Net assets with donor restrictions	<u>562,143</u>	<u>592,397</u>
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<b>TOTAL NET ASSETS</b>	<u>7,954,873</u>	<u>8,089,834</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,216,119</u>	<u>\$ 8,351,509</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (as restated)
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Public contributions	\$ 1,643,477	\$ 1,682,886
Program grants	845,407	794,415
United Way	51,745	81,419
Rent and program income	491,463	619,922
Miscellaneous income	2,244	-
Gain (loss) on disposal of assets	(8,872)	1,195
Investment income	156,373	194,645
Subtotal - Support and Revenue	<u>3,181,837</u>	<u>3,374,482</u>
Net assets released from restrictions	<u>439,085</u>	<u>313,486</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,620,922</u>	<u>3,687,968</u>
<b>EXPENSES</b>		
Program services:		
Prevention services	785,878	702,640
Family shelters	932,045	871,034
Individual shelters	652,256	613,697
Transitional housing	60,341	73,206
Permanent housing	317,021	329,477
Veterans housing	253,732	233,244
Total Program services	<u>3,001,273</u>	<u>2,823,298</u>
Support services:		
General and administrative	283,275	256,409
Fundraising	407,210	411,879
Capital campaign	33,871	34,239
Total Support services	<u>724,356</u>	<u>702,527</u>
<b>TOTAL EXPENSES</b>	<u>3,725,629</u>	<u>3,525,825</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(104,707)	<u>162,143</u>
<b>BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS</b> <b>(AS PREVIOUSLY REPORTED)</b>		6,664,091
Net assets reclassified on adoption of ASU 2016-14		<u>671,203</u>
<b>BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS</b> <b>(AS RESTATED)</b>	<u>7,497,437</u>	<u>7,335,294</u>
<b>ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 7,392,730</u>	<u>\$ 7,497,437</u>

See accompanying notes.



COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (as restated)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS SUPPORT AND REVENUE</b>		
Contributions	\$ 408,656	\$ 250,000
Capital gifts	175	9,500
	<u>408,831</u>	<u>259,500</u>
Net assets released from restrictions	<u>(439,085)</u>	<u>(313,486)</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>(30,254)</u>	<u>(53,986)</u>
 <b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	 (30,254)	 <u>(53,986)</u>
 <b>BEGINNING NET ASSETS WITH DONOR RESTRICTIONS (AS PREVIOUSLY REPORTED)</b>		 1,317,586
Net assets reclassified on adoption of ASU 2016-14		<u>(671,203)</u>
 <b>BEGINNING NET ASSETS WITH DONOR RESTRICTIONS (AS RESTATED)</b>	 <u>592,397</u>	 <u>646,383</u>
 <b>ENDING NET ASSETS WITH DONOR RESTRICTIONS</b>	 <u>\$ 562,143</u>	 <u>\$ 592,397</u>
 <b>TOTAL CHANGE IN NET ASSETS</b>	 <u>\$ (134,961)</u>	 <u>\$ 108,157</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2019

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Prevention Services</u>	<u>Family Shelters</u>	<u>Individual Shelters</u>	<u>Transitional Housing</u>	<u>Permanent Housing</u>	<u>Veterans Housing</u>
Salaries and wages	\$ 416,693	\$ 601,529	\$ 421,789	\$ 9,017	\$ 31,289	\$ 63,187
Payroll taxes	31,002	44,383	31,627	673	2,343	4,759
Fringe benefits	44,720	89,928	46,856	508	1,313	2,529
Total Personnel	<u>492,415</u>	<u>735,840</u>	<u>500,272</u>	<u>10,198</u>	<u>34,945</u>	<u>70,475</u>
Occupancy	43,922	97,796	77,325	24,929	134,541	162,033
Prevention	180,438	-	-	-	19,515	-
Depreciation	10,559	28,822	20,136	18,237	52,449	2,632
Other expenses	292	8,122	6,047	1,954	46,411	8,251
Information technology	29,704	9,953	12,093	1,192	458	3,727
Advertising and promotion	2,712	1,788	1,322	2	22	17
Insurance	4,211	11,853	9,545	2,754	11,073	2,189
Contract labor	-	-	6,990	-	-	-
Accounting and audit	4,464	8,513	5,228	146	752	744
Client supplies and activities	9,343	9,547	9,558	817	740	1,684
Legal and professional	-	11,708	-	-	15,717	1,105
Office expenses	3,903	3,088	1,722	51	224	238
Training and development	1,842	4,305	1,855	24	70	267
Travel	2,073	710	163	33	103	370
Interest	-	-	-	4	1	-
<b>TOTAL EXPENSES</b>	<u>\$ 785,878</u>	<u>\$ 932,045</u>	<u>\$ 652,256</u>	<u>\$ 60,341</u>	<u>\$ 317,021</u>	<u>\$ 253,732</u>

See accompanying notes.

	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2019 Total	2018 Total
Salaries and wages	\$ 1,543,504	\$ 211,082	\$ 203,522	\$ -	\$ 414,604	\$ 1,958,108	\$ 1,863,744
Payroll taxes	114,787	15,683	14,174	-	29,857	144,644	139,633
Fringe benefits	185,854	26,567	32,522	-	59,089	244,943	222,350
Total Personnel	<u>1,844,145</u>	<u>253,332</u>	<u>250,218</u>	<u>-</u>	<u>503,550</u>	<u>2,347,695</u>	<u>2,225,727</u>
Occupancy	540,546	12,242	14,965	-	27,207	567,753	536,940
Prevention	199,953	-	-	-	-	199,953	192,066
Depreciation	132,835	4,260	5,988	-	10,248	143,083	148,908
Other expenses	71,077	203	516	33,871	34,590	105,667	93,670
Information technology	57,127	9,416	26,388	-	35,804	92,931	75,943
Advertising and promotion	5,863	123	45,750	-	45,873	51,736	56,606
Insurance	41,625	1,542	1,939	-	3,481	45,106	42,999
Contract labor	6,990	-	30,500	-	30,500	37,490	41,796
Accounting and audit	19,847	1,005	13,050	-	14,055	33,902	32,619
Client supplies and activities	31,689	-	-	-	-	31,689	34,092
Legal and professional	28,530	-	-	-	-	28,530	8,975
Office expenses	9,226	1,007	16,702	-	17,709	26,935	31,179
Training and development	8,363	142	407	-	549	8,912	1,011
Travel	3,452	3	787	-	790	4,242	3,020
Interest	5	-	-	-	-	5	274
<b>TOTAL EXPENSES</b>	<u><u>\$ 3,001,273</u></u>	<u><u>\$ 283,275</u></u>	<u><u>\$ 407,210</u></u>	<u><u>\$ 33,871</u></u>	<u><u>\$ 724,356</u></u>	<u><u>\$ 3,725,629</u></u>	<u><u>\$ 3,525,825</u></u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2018

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Prevention Services	Family Shelters	Individual Shelters	Transitional Housing	Permanent Housing	Veterans Housing
Salaries and wages	\$ 390,909	\$ 573,975	\$ 410,181	\$ 13,907	\$ 38,198	\$ 44,453
Payroll taxes	29,277	43,496	30,985	1,052	2,883	3,314
Fringe benefits	43,983	75,181	44,056	1,582	3,661	2,511
Total Personnel	464,169	692,652	485,222	16,541	44,742	50,278
Occupancy	43,394	91,943	60,243	22,293	124,298	165,075
Prevention	141,476	-	-	5,000	45,590	-
Depreciation	8,545	32,668	20,222	18,339	54,299	2,742
Other expenses	293	8,600	3,666	3,713	42,439	65
Information technology	20,018	10,156	10,139	1,246	1,335	4,547
Advertising and promotion	1,434	1,372	735	39	83	1,126
Insurance	3,685	10,599	8,884	2,889	11,544	2,063
Contract labor	-	-	8,296	-	-	-
Client supplies and activities	10,013	9,379	8,482	915	649	4,654
Accounting and audit	4,012	7,334	5,015	494	1,320	982
Office expenses	3,545	2,609	1,446	95	197	653
Legal and professional	400	2,727	799	1,599	2,593	857
Travel	1,441	646	326	30	89	187
Training and development	215	349	222	13	25	15
Interest	-	-	-	-	274	-
<b>TOTAL EXPENSES</b>	<b>\$ 702,640</b>	<b>\$ 871,034</b>	<b>\$ 613,697</b>	<b>\$ 73,206</b>	<b>\$ 329,477</b>	<b>\$ 233,244</b>

See accompanying notes.

	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2018 Total
Salaries and wages	\$ 1,471,623	\$ 190,091	\$ 202,030	\$ -	\$ 392,121	\$ 1,863,744
Payroll taxes	111,007	14,187	14,439	-	28,626	139,633
Fringe benefits	170,974	21,380	29,996	-	51,376	222,350
Total Personnel	<u>1,753,604</u>	<u>225,658</u>	<u>246,465</u>	<u>-</u>	<u>472,123</u>	<u>2,225,727</u>
Occupancy	507,246	11,308	18,386	-	29,694	536,940
Prevention	192,066	-	-	-	-	192,066
Depreciation	136,815	5,366	6,727	-	12,093	148,908
Other expenses	58,776	326	329	34,239	34,894	93,670
Information technology	47,441	9,760	18,742	-	28,502	75,943
Advertising and promotion	4,789	132	51,685	-	51,817	56,606
Insurance	39,664	1,411	1,924	-	3,335	42,999
Contract labor	8,296	-	33,500	-	33,500	41,796
Client supplies and activities	34,092	-	-	-	-	34,092
Accounting and audit	19,157	1,089	12,373	-	13,462	32,619
Office expenses	8,545	1,327	21,307	-	22,634	31,179
Legal and professional	8,975	-	-	-	-	8,975
Travel	2,719	1	300	-	301	3,020
Training and development	839	31	141	-	172	1,011
Interest	274	-	-	-	-	274
<b>TOTAL EXPENSES</b>	<u><u>\$ 2,823,298</u></u>	<u><u>\$ 256,409</u></u>	<u><u>\$ 411,879</u></u>	<u><u>\$ 34,239</u></u>	<u><u>\$ 702,527</u></u>	<u><u>\$ 3,525,825</u></u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants and contracts	\$ 833,353	\$ 741,544
Cash received from contributions	2,090,222	2,024,514
Rent and program income	499,899	619,859
Interest received	48,881	61,106
Cash paid to suppliers for goods and services	(1,273,724)	(1,118,601)
Cash paid for salaries, taxes and benefits	(2,329,830)	(2,266,075)
Interest paid	(5)	(274)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(131,204)</u>	<u>62,073</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(172,859)	(102,439)
Proceeds from sales of investments	1,386,594	932,211
Purchases of investments	(1,160,314)	(981,534)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>53,421</u>	<u>(151,762)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	-	(12,337)
Transfers (to)/from restricted cash	38,115	(17,186)
Cash received from capital gifts	5,970	70,463
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>44,085</u>	<u>40,940</u>
<b>DECREASE IN CASH</b>	(33,698)	(48,749)
<b>BEGINNING CASH - UNRESTRICTED</b>	<u>(43,495)</u>	<u>5,254</u>
<b>ENDING CASH - UNRESTRICTED</b>	<u>\$ (77,193)</u>	<u>\$ (43,495)</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Committee on Temporary Shelter, Inc. (COTS or Organization) 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:

*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.

*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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

Programs and activities (continued)

*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. With continuing reductions in the numbers of homeless veterans, COTS is evaluating the existing program to determine the best way to meet other urgent housing needs.

More detailed information on all of the Organization's programs may be found by visiting [www.cotsonline.org](http://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.

Change in accounting principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. COTS has implemented ASU 2016-14 as of October 1, 2018 and has adjusted the presentation in these financial statements accordingly.

Financial statement presentation

With the adoption of ASU 2016-14, Committee on Temporary Shelter, Inc. reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 \$65,505 and \$95,490 as of September 30, 2019 and 2018, respectively.



COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

Investments

Committee on Temporary Shelter, Inc. is required to report marketable equity securities and all debt instruments in the Statements of Financial Position at fair 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 net assets without donor restrictions 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.

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.

Advertising

Advertising costs are charged to expense when incurred.

Contributions

Committee on Temporary Shelter, Inc. reports its contributions as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the Statements of Activities as net assets released from restrictions.

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. Absent donor stipulations regarding how long those donated assets must be maintained, COTS reports expirations of donor restrictions when the donated assets or acquired assets are placed in service as instructed by the donor. COTS reclasses net assets with donor restrictions to net assets without donor restrictions at that time.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

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.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Indirect salaries have been allocated to the various program based on time estimates included in the annual budget. Other indirect costs are allocated based on methods determined by management, such as, percentage of salaries and wages or square footage.

Income taxes

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

2) LIQUIDITY

Committee on Temporary Shelter, Inc. regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also managing its funds to provide investment returns. COTS has various sources of liquidity at its disposal, primarily cash, receivables and investments.

The majority of contributions received by the Organization are intended to be used for regular operations; some donations are restricted to specific purposes within regular operations. A smaller amount of financial assets are restricted to the needs of specific buildings.

As of September 30, 2019, the following table shows the financial assets held by COTS and the amounts of those financial assets which could readily be made available within one year of the Statement of Financial Position date to meet general expenditures:

Financial assets at September 30, 2019:	
Cash - unrestricted	\$ (77,193)
Cash - restricted	371,687
Grants, contracts and rents receivable	106,108
Gifts receivable	190,456
Notes receivable	906,000
Investments in marketable securities	2,409,287
Total financial assets	<u>3,906,345</u>
Less amounts not available to meet general expenditures:	
Cash - restricted	(371,687)
Gifts receivable, noncurrent	(40,000)
Notes receivable	(906,000)
Board-designated investments	(343,731)
	<u>(1,661,418)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,244,927</u>

3) 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>2019</u>	<u>2018</u>
Programs	\$ 235,475	\$ 233,105
Capital campaign	136,212	176,697
	<u>\$ 371,687</u>	<u>\$ 409,802</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

3) RESTRICTED CASH (continued)

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

	<u>2019</u>	<u>2018</u>
Current	\$ 235,475	\$ 233,105
Noncurrent	136,212	176,697
	<u>\$ 371,687</u>	<u>\$ 409,802</u>

4) 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, 2019 or 2018.

5) GIFTS RECEIVABLE

Gifts receivable consisted of the following at September 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 150,456	\$ 128,875
Receivable in one to three years	40,000	53,720
	<u>190,456</u>	<u>182,595</u>
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 190,456</u>	<u>\$ 182,595</u>

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

	<u>2019</u>	<u>2018</u>
Current	\$ 150,456	\$ 128,875
Noncurrent	40,000	53,720
	<u>\$ 190,456</u>	<u>\$ 182,595</u>

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

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

6) 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.

7) PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 3,670,647	\$ 3,570,015
Equipment	744,983	674,600
Land and easement	139,750	139,750
	<u>4,555,380</u>	<u>4,384,365</u>
Accumulated depreciation	<u>(2,636,159)</u>	<u>(2,509,112)</u>
	<u>\$ 1,919,221</u>	<u>\$ 1,875,253</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

8) INVESTMENTS IN MARKETABLE SECURITIES

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 consisted of the following at:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>September 30, 2019:</b>			
Cash and money funds	\$ 100,727	\$ 100,727	\$ -
Equity securities, mutual funds and other assets	1,344,036	997,050	346,986
Fixed income securities	964,524	960,158	4,366
	<u>\$ 2,409,287</u>	<u>\$ 2,057,935</u>	<u>\$ 351,352</u>
<b>September 30, 2018:</b>			
Cash and money funds	\$ 130,478	\$ 130,478	\$ -
Equity securities and mutual funds	1,459,094	1,129,097	329,997
Fixed income securities and mutual funds	961,567	1,000,868	(39,301)
	<u>\$ 2,551,139</u>	<u>\$ 2,260,443</u>	<u>\$ 290,696</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 64,573	\$ 75,721
Realized gain	46,836	71,059
Unrealized gain	60,656	62,480
Investment fees	(15,692)	(14,615)
	<u>\$ 156,373</u>	<u>\$ 194,645</u>

In March 2020, the COVID-19 pandemic resulted in significant losses in the financial markets. As of the report date, it is not possible to determine the decline in investments and whether that decline is other than temporary.

9) 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).

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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 \$13,671, which can be adjusted annually based on actual square footage and unit expenses as calculated by the Partnership.

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 \$231,930 and \$223,158 for the years ended September 30, 2019 and 2018, respectively.

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

2020	\$ 226,000
2021	226,000
2022	226,000
2023	226,000
2024	225,000
Thereafter	<u>2,869,000</u>
	<u>\$ 3,998,000</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 \$42,282 and \$39,950 for the years ended September 30, 2019 and 2018, 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, 2019 AND 2018

13) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted to time or purpose as of September 30:

	2019	2018 (as restated)
Housing Resource Center	\$ 214,276	\$ 185,997
Capital campaign	143,012	189,292
Future periods	100,429	118,429
Risk pool	78,505	78,505
Bequest receivable	13,656	-
Home Again	6,669	6,669
Children's enrichment	5,596	13,505
	<u>\$ 562,143</u>	<u>\$ 592,397</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 and was 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.



**COMMITTEE ON TEMPORARY SHELTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**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, 2019 and 2018.

**16) PRIOR PERIOD RESTATEMENT**

As disclosed in Note 1, COTS adopted ASU 2016-14 as of October 1, 2018. ASU 2016-14 requires the use of the placed-in-service approach for reporting the expirations of restrictions on capital gifts and the reclassification of any amounts from net assets with donor restrictions to net assets without donor restrictions. As a result of the new ASU, a prior period restatement was necessary to release the net book value of certain capital assets previously reported as net assets with donor restrictions. The net effect of the restatement was to increase net assets without donor restrictions by \$671,203, and decrease net assets with donor restrictions by the same amount as of September 30, 2017.

**17) SUBSEQUENT EVENTS**

As disclosed in Note 8, in March 2020, the world experienced a global pandemic, COVID-19, which has dramatically decreased economic activity and resulted in significant losses in the financial markets, including COTS. As of the report date, it is not possible to determine the total decline from the economic slowdown and whether or not any of the decline is other than temporary.

Committee on Temporary Shelter, Inc. has evaluated events and transactions for potential recognition or disclosure through March 16, 2020, the date the financial statements were available to be issued.