



COMMITTEE ON TEMPORARY SHELTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

COMMITTEE ON TEMPORARY SHELTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

COMMITTEE ON TEMPORARY SHELTER, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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 21, 2022

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash - unrestricted	\$ 407,175	\$ 715,853
Cash - restricted	113,821	150,223
Grants, contracts and rents receivable	272,824	189,810
Current portion of gifts receivable	45,000	177,500
Prepaid expenses	7,527	4,755
	<u>846,347</u>	<u>1,238,141</u>
TOTAL CURRENT ASSETS		
	<u>846,347</u>	<u>1,238,141</u>
PROPERTY AND EQUIPMENT		
Land, buildings and equipment	4,726,931	4,704,419
Construction in progress	104,513	-
	<u>4,831,444</u>	<u>4,704,419</u>
Less accumulated depreciation	<u>(2,846,920)</u>	<u>(2,772,209)</u>
	<u>1,984,524</u>	<u>1,932,210</u>
TOTAL PROPERTY AND EQUIPMENT		
	<u>1,984,524</u>	<u>1,932,210</u>
OTHER ASSETS		
Restricted cash - noncurrent	26,917	86,844
Notes receivable - related party, net of \$285,000 allowance	906,000	931,000
Investments in marketable securities	5,707,206	3,741,476
Investment in COTS Housing Inc.	2,343,126	2,343,126
	<u>8,983,249</u>	<u>7,102,446</u>
TOTAL OTHER ASSETS		
	<u>8,983,249</u>	<u>7,102,446</u>
TOTAL ASSETS	<u>\$ 11,814,120</u>	<u>\$ 10,272,797</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	\$ 74,189	\$ 26,515
Accrued payroll and related taxes	210,444	134,335
Accrued expenses	120,278	30,754
Deferred revenue	84,726	30,429
Paycheck Protection Program loan	479,550	470,000
TOTAL CURRENT LIABILITIES	969,187	692,033
LONG-TERM LIABILITIES		
Security deposits payable	13,661	9,746
TOTAL LONG-TERM LIABILITIES	13,661	9,746
TOTAL LIABILITIES	982,848	701,779
NET ASSETS		
Net assets without donor restrictions:		
Designated:		
Smith House	90,808	34,469
Main Street and Firehouse	69,982	15,078
Waystation	130,013	68,933
Wilson	122,901	5,606
St. John's Hall	162,318	139,816
Main Street campaign	75,000	-
Undesignated	8,994,512	7,892,549
Total net assets without donor restrictions	9,645,534	8,156,451
Net assets with donor restrictions	1,185,738	1,414,567
TOTAL NET ASSETS	10,831,272	9,571,018
TOTAL LIABILITIES AND NET ASSETS	\$ 11,814,120	\$ 10,272,797

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Public contributions	\$ 2,147,635	\$ 2,189,907
Program grants	1,558,010	1,037,408
United Way	41,754	39,963
Rent and program income	400,774	426,440
Miscellaneous income	477,783	18,666
Gain (loss) on disposal of assets	(13,875)	337
Investment income	455,610	232,120
Subtotal - Support and Revenue	5,067,691	3,944,841
Net assets released from restrictions	334,640	284,161
 TOTAL SUPPORT AND REVENUE	 5,402,331	 4,229,002
 EXPENSES		
Program services:		
Prevention services	749,181	689,747
Family shelters	835,162	838,430
Individual shelters	623,131	632,423
Transitional housing	73,947	81,197
Permanent housing	353,072	315,252
Motel outreach	488,121	118,772
Veterans housing	103,769	95,382
Total Program services	3,226,383	2,771,203
Support services:		
General and administrative	283,077	305,092
Fundraising	402,603	396,740
Capital campaign	1,185	17,246
Total Support services	686,865	719,078
 TOTAL EXPENSES	 3,913,248	 3,490,281
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 1,489,083	 738,721
 BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS	 8,156,451	 7,417,730
 ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS	 \$ 9,645,534	 \$ 8,156,451

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS SUPPORT AND REVENUE		
Contributions - programs	\$ 105,811	\$ 70,000
Capital gifts	-	1,001,585
	<u>105,811</u>	<u>1,071,585</u>
Net assets released from restrictions	<u>(334,640)</u>	<u>(284,161)</u>
TOTAL SUPPORT AND REVENUE	<u>(228,829)</u>	<u>787,424</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(228,829)</u>	<u>787,424</u>
BEGINNING NET ASSETS WITH DONOR RESTRICTIONS	<u>1,414,567</u>	<u>627,143</u>
ENDING NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,185,738</u>	<u>\$ 1,414,567</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 1,260,254</u>	<u>\$ 1,526,145</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2021

**FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>Prevention Services</u>	<u>Family Shelters</u>	<u>Individual Shelters</u>	<u>Transitional Housing</u>	<u>Permanent Housing</u>	<u>Motel Outreach</u>	<u>Veterans Housing</u>
Salaries and wages	\$ 465,280	\$ 490,632	\$ 387,522	\$ 22,431	\$ 48,735	\$ 389,400	\$ 9,452
Payroll taxes	34,273	35,953	28,375	1,634	3,534	29,841	723
Fringe benefits	60,993	115,098	47,986	1,530	3,549	28,500	246
Total Personnel	<u>560,546</u>	<u>641,683</u>	<u>463,883</u>	<u>25,595</u>	<u>55,818</u>	<u>447,741</u>	<u>10,421</u>
Occupancy	43,246	78,076	91,617	21,930	144,020	7,631	357
Other expense	1,370	10,051	4,986	1,766	47,637	42	90,000
Depreciation	7,665	46,973	22,706	18,370	57,934	-	764
Information technology	32,682	11,307	16,441	1,413	3,556	17,258	109
Prevention	78,385	-	-	-	10,551	-	-
Advertising and promotion	378	999	875	41	383	844	-
Insurance	5,435	12,860	9,743	3,063	10,442	-	56
Accounting and audit	5,521	8,098	5,540	453	1,214	23	2
Client supplies and activities	7,742	18,689	3,155	1,084	680	6,099	(190)
Contract labor	-	-	-	-	12,975	2,442	-
Office expenses	4,233	3,043	2,494	112	267	5,574	-
Legal and professional	355	1,294	310	20	7,377	-	2,250
Training and development	1,272	2,029	1,381	100	218	-	-
Travel	351	60	-	-	-	467	-
TOTAL EXPENSES	<u><u>\$ 749,181</u></u>	<u><u>\$ 835,162</u></u>	<u><u>\$ 623,131</u></u>	<u><u>\$ 73,947</u></u>	<u><u>\$ 353,072</u></u>	<u><u>\$ 488,121</u></u>	<u><u>\$ 103,769</u></u>

See accompanying notes.

	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2021 Total	2020 Total
Salaries and wages	\$ 1,813,452	\$ 210,015	\$ 203,792	\$ -	\$ 413,807	\$ 2,227,259	\$ 1,979,822
Payroll taxes	134,333	15,758	15,285	-	31,043	165,376	148,056
Fringe benefits	257,902	24,410	25,666	-	50,076	307,978	220,555
Total Personnel	<u>2,205,687</u>	<u>250,183</u>	<u>244,743</u>	<u>-</u>	<u>494,926</u>	<u>2,700,613</u>	<u>2,348,433</u>
Occupancy	386,877	10,341	14,755	-	25,096	411,973	501,696
Other expense	155,852	138	918	585	1,641	157,493	50,761
Depreciation	154,412	3,071	3,263	-	6,334	160,746	155,781
Information technology	82,766	8,421	27,893	-	36,314	119,080	87,904
Prevention	88,936	-	-	-	-	88,936	102,621
Advertising and promotion	3,520	3,261	52,445	-	55,706	59,226	41,841
Insurance	41,599	2,000	2,464	-	4,464	46,063	46,286
Accounting and audit	20,851	3,472	16,035	-	19,507	40,358	43,300
Client supplies and activities	37,259	-	-	-	-	37,259	38,290
Contract labor	15,417	-	21,304	-	21,304	36,721	33,775
Office expenses	15,723	2,103	17,023	600	19,726	35,449	28,074
Legal and professional	11,606	87	102	-	189	11,795	6,984
Training and development	5,000	-	1,416	-	1,416	6,416	3,679
Travel	878	-	242	-	242	1,120	856
TOTAL EXPENSES	<u>\$ 3,226,383</u>	<u>\$ 283,077</u>	<u>\$ 402,603</u>	<u>\$ 1,185</u>	<u>\$ 686,865</u>	<u>\$ 3,913,248</u>	<u>\$ 3,490,281</u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES - 2020
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Prevention Services</u>	<u>Family Shelters</u>	<u>Individual Shelters</u>	<u>Transitional Housing</u>	<u>Permanent Housing</u>	<u>Motel Outreach</u>	<u>Veterans Housing</u>
Salaries and wages	\$ 396,700	\$ 556,442	\$ 409,911	\$ 19,564	\$ 43,701	\$ 85,684	\$ 30,675
Payroll taxes	29,716	41,607	30,762	1,462	3,187	6,550	2,317
Fringe benefits	52,430	61,841	41,696	1,464	3,288	42	2,137
Total Personnel	<u>478,846</u>	<u>659,890</u>	<u>482,369</u>	<u>22,490</u>	<u>50,176</u>	<u>92,276</u>	<u>35,129</u>
Occupancy	46,179	89,521	75,592	34,973	182,012	1,182	49,349
Depreciation	7,428	45,521	21,825	17,803	56,325	-	741
Prevention	102,621	-	-	-	-	-	-
Information technology	27,274	12,132	13,719	1,521	318	7,012	3,160
Other expense	4,409	20	11,277	-	9,183	-	936
Insurance	5,266	11,581	9,219	2,873	11,197	-	1,933
Accounting and audit	6,134	7,719	4,499	510	1,383	-	551
Advertising and promotion	2,470	1,084	753	17	38	363	22
Client supplies and activities	5,077	6,537	6,097	864	585	17,726	1,128
Contract labor	-	-	4,150	-	-	-	-
Office expenses	1,940	2,493	1,963	59	121	213	72
Legal and professional	540	390	-	-	3,719	-	2,250
Training and development	1,028	1,389	876	79	171	-	101
Travel	535	153	84	8	24	-	10
TOTAL EXPENSES	<u><u>\$ 689,747</u></u>	<u><u>\$ 838,430</u></u>	<u><u>\$ 632,423</u></u>	<u><u>\$ 81,197</u></u>	<u><u>\$ 315,252</u></u>	<u><u>\$ 118,772</u></u>	<u><u>\$ 95,382</u></u>

See accompanying notes.

	Total Program Services	General & Administrative	Fundraising	Capital Campaign	Total Support Services	2020 Total
Salaries and wages	\$ 1,542,677	\$ 225,139	\$ 212,006	\$ -	\$ 437,145	\$ 1,979,822
Payroll taxes	115,601	16,747	15,708	-	32,455	148,056
Fringe benefits	162,898	30,984	26,673	-	57,657	220,555
Total Personnel	<u>1,821,176</u>	<u>272,870</u>	<u>254,387</u>	<u>-</u>	<u>527,257</u>	<u>2,348,433</u>
Occupancy	478,808	11,406	11,482	-	22,888	501,696
Depreciation	149,643	2,976	3,162	-	6,138	155,781
Prevention	102,621	-	-	-	-	102,621
Information technology	65,136	9,300	13,468	-	22,768	87,904
Other expense	25,825	512	7,178	17,246	24,936	50,761
Insurance	42,069	1,891	2,326	-	4,217	46,286
Accounting and audit	20,796	4,211	18,293	-	22,504	43,300
Advertising and promotion	4,747	53	37,041	-	37,094	41,841
Client supplies and activities	38,014	276	-	-	276	38,290
Contract labor	4,150	-	29,625	-	29,625	33,775
Office expenses	6,861	1,512	19,701	-	21,213	28,074
Legal and professional	6,899	85	-	-	85	6,984
Training and development	3,644	-	35	-	35	3,679
Travel	814	-	42	-	42	856
TOTAL EXPENSES	<u><u>\$ 2,771,203</u></u>	<u><u>\$ 305,092</u></u>	<u><u>\$ 396,740</u></u>	<u><u>\$ 17,246</u></u>	<u><u>\$ 719,078</u></u>	<u><u>\$ 3,490,281</u></u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contracts	\$ 1,532,893	\$ 1,000,061
Cash received from contributions	2,427,700	2,371,026
Rent and program income	408,873	410,581
Interest received	63,641	40,521
Cash paid to suppliers for goods and services	(917,464)	(989,644)
Cash paid for salaries, taxes and benefits	<u>(2,624,504)</u>	<u>(2,396,641)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>891,139</u>	<u>435,904</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(227,369)	(169,614)
Proceeds from notes receivable	25,000	-
Proceeds from sales of investments	1,455,751	2,849,710
Purchases of investments	<u>(3,029,078)</u>	<u>(3,935,959)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,775,696)</u>	<u>(1,255,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from Paycheck Protection Program loan	479,550	470,000
Cash received from capital gifts	<u>-</u>	<u>1,008,385</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>479,550</u>	<u>1,478,385</u>
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(405,007)	658,426
BEGINNING CASH AND RESTRICTED CASH	<u>952,920</u>	<u>294,494</u>
ENDING CASH AND RESTRICTED CASH	<u><u>\$ 547,913</u></u>	<u><u>\$ 952,920</u></u>
REPORTED ON THE STATEMENTS OF FINANCIAL POSITION AS:		
Cash - unrestricted	\$ 407,175	\$ 715,853
Cash - restricted	113,821	150,223
Restricted cash - noncurrent	<u>26,917</u>	<u>86,844</u>
	<u><u>\$ 547,913</u></u>	<u><u>\$ 952,920</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program loan	<u><u>\$ 470,000</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Committee on Temporary Shelter, Inc. (COTS or the 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.

Family Shelters - 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.

Individual Shelters - 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 shelters 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.

Motel Outreach - During the pandemic, the State of Vermont placed a significant number of homeless people in motels across the state. COTS formed a team of outreach workers to address the ongoing, daily needs of this population. Services are similar to those provided by COTS Housing Navigators, and occur onsite at motels, primarily in Chittenden County. This program is funded by the State of Vermont with CARES Act and similar funding.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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

Programs and activities (continued)

Veterans Housing - 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. In addition to Veterans Housing, the building provided 12 units of affordable, permanent housing for tenants meeting income requirements. Because of significant declines in the numbers of homeless veterans, COTS ended the veterans housing program during fiscal year 2020.

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.

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

Pending accounting standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842), which will replace the current guidance for leases found in FASB ASC 840. ASU No. 2016-02 will affect most not-for-profits for annual reporting periods beginning on or after December 15, 2021 (COT's fiscal year ending September 30, 2023). ASU No. 2016-02 applies to both lessees and lessors and will require lessees with operating leases to recognize a right-of-use asset and related lease liability for leases with terms of 12 months or more. Management has not yet determined the impact of this ASU on the Organization's financial statements.

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

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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

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 approximately \$290,000 and \$664,000 as of September 30, 2021 and 2020, respectively.

Investments and fair value measurements

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.

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Accounting principles in the United States of America establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The three levels of the fair value hierarchy are described below:

Level 1 - inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - inputs include quoted prices for similar assets or liabilities in active markets; identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 - inputs are unobservable and significant to the fair value measurement.

Property and equipment

Property and equipment are carried at cost, if purchased, or fair 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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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

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.

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. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition..

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.

Reclassification

Certain amounts in the prior year financial statements for fiscal year 2020 have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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

Revenue recognition

A portion of COTS' revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the specific grant provisions. COTS recognizes other grant and contract funds as the revenue is earned. In accordance with the normal policies of the granting organizations, COTS may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of each grant 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. In addition, if COTS terminates providing services, all unexpended funds are to be returned to the funding sources.

COTS did not have any material revenue from contracts with customers in fiscal years 2021 or 2020 and had no contract assets or liabilities as of the beginning or ending of fiscal years 2021 or 2020.

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.

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

2) LIQUIDITY (continued)

As of September 30, 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 Statements of Financial Position dates to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash - unrestricted	\$ 407,175	\$ 715,853
Cash - restricted	140,738	237,067
Grants, contracts and rents receivable	272,824	189,810
Gifts receivable	45,000	177,500
Notes receivable - related party	906,000	931,000
Investments in marketable securities	5,707,206	3,741,476
Investments in COTS Housing Inc.	2,343,126	2,343,126
Total financial assets	<u>9,822,069</u>	<u>8,335,832</u>
Less amounts not available to meet general expenditures:		
Net assets restricted by donors	(1,185,738)	(1,414,567)
Notes receivable - related party	(906,000)	(931,000)
Board-designated investments	(651,022)	(263,902)
Investments in COTS Housing Inc.	<u>(2,343,126)</u>	<u>(2,343,126)</u>
	<u>(5,085,886)</u>	<u>(4,952,595)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,736,183</u>	<u>\$ 3,383,237</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>2021</u>	<u>2020</u>
Programs	\$ 113,821	\$ 150,223
Capital campaign	26,917	86,844
	<u>\$ 140,738</u>	<u>\$ 237,067</u>

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

Current	\$ 113,821	\$ 150,223
Noncurrent	26,917	86,844
	<u>\$ 140,738</u>	<u>\$ 237,067</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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, 2021 or 2020.

5) GIFTS RECEIVABLE

Gifts receivable consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 45,000	\$ 177,500
Receivable in one to three years	-	-
	<u>45,000</u>	<u>177,500</u>
Less allowance for doubtful accounts	-	-
	<u>\$ 45,000</u>	<u>\$ 177,500</u>

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

	<u>2021</u>	<u>2020</u>
Current	\$ 45,000	\$ 177,500
Noncurrent	-	-
	<u>\$ 45,000</u>	<u>\$ 177,500</u>

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

6) PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 3,819,550	\$ 3,817,822
Equipment	767,631	746,847
Land and easement	139,750	139,750
Construction in progress	104,513	-
	<u>4,831,444</u>	<u>4,704,419</u>
Accumulated depreciation	<u>(2,846,920)</u>	<u>(2,772,209)</u>
	<u>\$ 1,984,524</u>	<u>\$ 1,932,210</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

7) NOTES RECEIVABLE - RELATED PARTY

In December 2015, COTS received a promissory note receivable from 95 North Avenue Limited Partnership, a related party, 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.

On that same date, COTS received an additional promissory note receivable from 95 North Avenue Limited Partnership for \$310,000 for development fees. Due to the nature of the receivable, a \$285,000 allowance has been recorded. COTS received \$25,000 in development fees in fiscal year 2021.

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.

8) INVESTMENTS IN MARKETABLE SECURITIES

The fair value of COTS marketable securities consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Mutual funds:		
Equity mutual funds	\$ 106,899	\$ 77,022
International mutual funds	238,200	161,501
	<u>345,099</u>	<u>238,523</u>
Cash	978,577	1,075,278
Fixed income	2,031,190	1,065,953
Common stocks	<u>2,352,340</u>	<u>1,361,722</u>
Total investments measured at fair value	<u>\$ 5,707,206</u>	<u>\$ 3,741,476</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

8) INVESTMENTS IN MARKETABLE SECURITIES (continued)

COTS investments include both funds with donor restrictions and without donor restrictions. All of COTS long-term investments have readily determinable fair values and are carried at fair value as determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 inputs).

Additional analysis of the fair values and cost of investments by category were as follows as of:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2021:			
Cash and money funds	\$ 978,577	\$ 978,577	\$ -
Mutual funds	345,099	255,604	89,495
Fixed income securities	2,031,190	2,044,776	(13,586)
Equity securities	2,352,340	1,442,572	909,768
	<u>\$ 5,707,206</u>	<u>\$ 4,721,529</u>	<u>\$ 985,677</u>
September 30, 2020:			
Cash and money funds	\$ 1,075,278	\$ 1,075,278	\$ -
Mutual funds	238,523	181,354	57,169
Fixed income securities	1,065,953	1,037,184	28,769
Equity securities	1,361,722	837,186	524,536
	<u>\$ 3,741,476</u>	<u>\$ 3,131,002</u>	<u>\$ 610,474</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 86,877	\$ 55,052
Realized gains (losses)	16,766	(67,523)
Unrealized gains	375,203	259,122
Investment fees	(23,236)	(14,531)
	<u>\$ 455,610</u>	<u>\$ 232,120</u>

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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. This investment is classified as Level 3 in the fair value hierarchy. The total equity investments at September 30, 2021 and 2020 were \$2,343,126.

10) PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, COTS signed a two-year loan agreement with KeyBank, N.A. under the U.S. Small Business Administration (SBA) Paycheck Protection Program for a \$470,000 loan. The note was forgiven in May 2021 and is recorded as miscellaneous income on the Statements of Activities.

In February 2021, COTS signed for a second loan with KeyBank, N.A. under the SBA Paycheck Protection Program for a \$479,550 loan. The note bears interest at 1% and payments are deferred until the loan is forgiven, or for 10 months, whichever comes first. The loan is guaranteed by the U.S. Small Business Administration and is due February 2026. The note was forgiven in November 2021 and COTS has chosen to present the entire balance as current debt.

11) 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. During fiscal year 2020, the General Partners agreed that given the significant decline in the number of homeless veterans, lease payments would be reduced proportionately by the number of veteran program units converted to regular affordable apartments. By September 30, 2020, all units were converted and lease payments are now zero. The General Partners are in the process of finalizing legal documentation of the lease termination.

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. Firstly, COTS will pay monthly rent of \$352, that increases 3% annually, to fund a maintenance reserve for the 95 North Avenue property. Secondly, 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 \$53,593 and \$108,687 for the years ended September 30, 2021 and 2020, respectively.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

11) LEASES (continued)

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

2022	\$	60,000
2023		66,000
2024		66,000
2025		66,000
2026		66,000
Thereafter		515,000
		<hr/>
	\$	<u>839,000</u>

12) 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 \$39,364 and \$40,181 for the years ended September 30, 2021 and 2020, respectively.

13) 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.

In January of 2020, COTS was notified that the Veterans Administration (VA) intends to pursue partial recapture of the original \$1,240,000 VA grant 08-746-VT made in 2010 to COTS, which COTS passed through to the Canal Street Housing LP for the construction of the Canal Street building. This notification began a process which continues, through which COTS' ultimate obligation to the VA will be determined. In June 2020, the VA provided an estimate of \$179,800 for this liability, a cost that will be shared with Evernorth (formerly Housing Vermont, Inc.). Although this is not a final determination, COTS has accrued a contingent liability of \$90,000. COTS believes there is a reasonable chance that its obligation will be less than the VA's estimate.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

14) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Main Street project	\$ 1,026,917	\$ 1,086,844
Risk pool	86,735	71,735
Housing Resource Center	48,519	99,150
Children's enrichment	15,131	18,409
Future periods	8,436	138,429
	<u>\$ 1,185,738</u>	<u>\$ 1,414,567</u>

15) 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. Sixteen units were separately master leased by COTS for its Veteran Program.

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.

During fiscal years 2019 and 2020, the number of homeless veterans in the community significantly declined. In response, the General Partners agreed to convert units reserved for the veterans program to regular affordable units. The veterans program ended in fiscal year 2020.

16) 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 also funded with tax credit financing and publicly-funded grants. The renovated building includes a permanent location for the Daystation, 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 into one building, and the realization of associated efficiencies. The capital campaign, completed in fiscal year 2016, exceeded its goal.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

16) 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 partnership. The transfer of the property was completed in fiscal year 2016. 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 fiscal year 2017, COTS contributed an additional \$873,181 to the Partnership, resulting in a total equity investment of \$2,343,126 at September 30, 2021 and 2020. At the end of the 15-year tax credit term, the ownership of this building will revert back to COTS.

17) GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus to be a global pandemic. COTS' management and staff put multiple safety protocols (following CDC guidelines) in place as the State of Vermont announced the lockdown in March of 2020. COTS reduced capacities in shelter programs to afford better safety for guests and staff. Certain program staff and all non-program staff worked remotely through the early spring surge in Vermont. COTS implemented a return to work program in the summer of 2020 and as vaccines have been made available more staff are returning onsite.

Because of the increase in needs of homeless people living in state-funded motels during the pandemic, COTS implemented a new Housing Navigation team, called the Motel Outreach Team, to focus on this population. COTS received state funding for 100% of the costs of this program. This team's work will continue in line with the availability of state funding.

In April 2020, COTS received a \$470,000 Paycheck Protection Program loan from the SBA. The note was forgiven in May 2021 and is recorded as miscellaneous income on the Statements of Activities.

In February 2021, COTS received a second Paycheck Protection Program loan from the SBA. This note was forgiven in November 2021 and is recorded as current debt in the Statements of Financial Position.

As of the date of these financial statements, it is not possible to determine the full impact of the pandemic on COTS' ongoing operations.

18) SUBSEQUENT EVENTS

As disclosed in Notes 10 and 17, in November 2021, COTS received forgiveness of the second Paycheck Protection Program loan from the SBA in the amount of \$479,550.

Committee on Temporary Shelter, Inc. has evaluated events and transactions for potential recognition or disclosure through April 21, 2022, the date the financial statements were available to be issued.