



COMMITTEE ON TEMPORARY SHELTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Committee on Temporary Shelter, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Committee on Temporary Shelter, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Committee on Temporary Shelter, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Committee on Temporary Shelter, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The signature is written in a cursive, handwritten style. It reads "Jmm & Associates". The "J" is large and loops around the "m"s. The "&" is written as a simple ampersand. The word "Associates" follows in a similar cursive script.

April 20, 2023

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

ASSETS

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash - unrestricted | \$ 226,373 | \$ 407,175 |
| Cash - restricted | 154,198 | 113,821 |
| Grants, contracts and rents receivable | 357,568 | 272,824 |
| Current portion of gifts receivable | 270,175 | 45,000 |
| Prepaid expenses | 19,701 | 7,527 |
| | <u>1,028,015</u> | <u>846,347</u> |
| TOTAL CURRENT ASSETS | | |
| | <u>1,028,015</u> | <u>846,347</u> |
| PROPERTY AND EQUIPMENT | | |
| Land, buildings and equipment | 4,937,970 | 4,726,931 |
| Construction in progress | 194,328 | 104,513 |
| | <u>5,132,298</u> | <u>4,831,444</u> |
| Less accumulated depreciation | <u>(3,006,181)</u> | <u>(2,846,920)</u> |
| | <u>2,126,117</u> | <u>1,984,524</u> |
| TOTAL PROPERTY AND EQUIPMENT | | |
| | <u>2,126,117</u> | <u>1,984,524</u> |
| OTHER ASSETS | | |
| Restricted cash - noncurrent | 1,017,905 | 26,917 |
| Gifts receivable, net of current portion | 530,100 | - |
| Notes receivable - related party, net of \$285,000 allowance | 906,000 | 906,000 |
| Investments in marketable securities | 4,277,196 | 4,707,206 |
| Investments in marketable securities restricted for Main Street project | 1,000,000 | 1,000,000 |
| Investment in COTS Housing Inc. | 2,343,126 | 2,343,126 |
| | <u>10,074,327</u> | <u>8,983,249</u> |
| TOTAL OTHER ASSETS | | |
| | <u>10,074,327</u> | <u>8,983,249</u> |
| TOTAL ASSETS | <u>\$ 13,228,459</u> | <u>\$ 11,814,120</u> |

See accompanying notes.

LIABILITIES AND NET ASSETS

| | 2022 | 2021 |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 28,663 | \$ 74,189 |
| Accrued payroll and related taxes | 198,130 | 210,444 |
| Accrued expenses | 30,773 | 120,278 |
| Deferred revenue | 89,096 | 84,726 |
| Paycheck Protection Program loan | - | 479,550 |
| | | |
| TOTAL CURRENT LIABILITIES | 346,662 | 969,187 |
| LONG-TERM LIABILITIES | | |
| Security deposits payable | 17,223 | 13,661 |
| | | |
| TOTAL LONG-TERM LIABILITIES | 17,223 | 13,661 |
| | | |
| TOTAL LIABILITIES | 363,885 | 982,848 |
| NET ASSETS | | |
| Net assets without donor restrictions: | | |
| Designated: | | |
| Building funds | 950,969 | 1,081,353 |
| Main Street campaign | 75,000 | 75,000 |
| Subtotal - designated | 1,025,969 | 1,156,353 |
| Undesignated | 8,866,227 | 8,489,181 |
| Total net assets without donor restrictions | 9,892,196 | 9,645,534 |
| Net assets with donor restrictions | 2,972,378 | 1,185,738 |
| | | |
| TOTAL NET ASSETS | 12,864,574 | 10,831,272 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 13,228,459 | \$ 11,814,120 |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| SUPPORT AND REVENUE | | |
| Public contributions | \$ 2,441,800 | \$ 2,147,635 |
| Program grants | 1,210,181 | 1,558,010 |
| United Way | 49,282 | 41,754 |
| Rent and program income | 420,505 | 400,774 |
| Miscellaneous income | 542,000 | 477,783 |
| Gain (loss) on disposal of assets | 1,045 | (13,875) |
| Investment income (loss) | (729,843) | 455,610 |
| Subtotal - Support and Revenue | 3,934,970 | 5,067,691 |
| Net assets released from restrictions | 75,516 | 334,640 |
| TOTAL SUPPORT AND REVENUE | 4,010,486 | 5,402,331 |
| EXPENSES | | |
| Program services: | | |
| Prevention services | 777,857 | 749,181 |
| Family shelters | 728,175 | 835,162 |
| Individual shelters | 702,882 | 623,131 |
| Transitional housing | 89,346 | 73,947 |
| Permanent housing | 398,834 | 353,072 |
| Motel outreach | 217,059 | 488,121 |
| Veterans housing | 89,800 | 103,769 |
| Total Program services | 3,003,953 | 3,226,383 |
| Support services: | | |
| General and administrative | 276,133 | 283,077 |
| Fundraising | 476,297 | 402,603 |
| Capital campaign | 7,441 | 1,185 |
| Total Support services | 759,871 | 686,865 |
| TOTAL EXPENSES | 3,763,824 | 3,913,248 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 246,662 | 1,489,083 |
| BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS | 9,645,534 | 8,156,451 |
| ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS | \$ 9,892,196 | \$ 9,645,534 |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS SUPPORT AND REVENUE | | |
| Contributions - programs | \$ 220,000 | \$ 105,811 |
| Capital gifts | 1,642,156 | - |
| | <u>1,862,156</u> | <u>105,811</u> |
| Net assets released from restrictions | <u>(75,516)</u> | <u>(334,640)</u> |
| TOTAL SUPPORT AND REVENUE | <u>1,786,640</u> | <u>(228,829)</u> |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | 1,786,640 | (228,829) |
| BEGINNING NET ASSETS WITH DONOR RESTRICTIONS | <u>1,185,738</u> | <u>1,414,567</u> |
| ENDING NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 2,972,378</u> | <u>\$ 1,185,738</u> |
| TOTAL CHANGE IN NET ASSETS | <u>\$ 2,033,302</u> | <u>\$ 1,260,254</u> |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2022

FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

| | Prevention Services | Family Shelters | Individual Shelters | Transitional Housing | Permanent Housing | Motel Outreach | Veterans Housing |
|--------------------------------|------------------------|--------------------|------------------------|-------------------------|----------------------|-------------------|---------------------|
| Salaries and wages | \$ 472,694 | \$ 445,880 | \$ 458,369 | \$ 28,769 | \$ 66,707 | \$ 181,053 | \$ - |
| Payroll taxes | 34,776 | 33,299 | 34,138 | 2,106 | 4,921 | 13,664 | - |
| Fringe benefits | 47,039 | 37,555 | 39,564 | 1,335 | 3,192 | 2,806 | - |
| Total Personnel | 554,509 | 516,734 | 532,071 | 32,210 | 74,820 | 197,523 | - |
| Occupancy | 37,435 | 95,804 | 98,776 | 31,364 | 157,213 | 2,074 | - |
| Depreciation | 7,428 | 50,368 | 23,873 | 18,086 | 63,047 | 1,074 | - |
| Other expenses | 687 | 4,363 | 2,233 | 825 | 56,404 | - | 89,800 |
| Information technology | 32,813 | 12,832 | 11,460 | 1,385 | 9,722 | 11,934 | - |
| Prevention | 96,190 | - | - | - | 9,635 | - | - |
| Advertising and promotion | 9,890 | 3,220 | 1,992 | (40) | 428 | 2,425 | - |
| Contract labor | 864 | 1,258 | 857 | 62 | 136 | - | - |
| Insurance | 6,630 | 14,428 | 10,254 | 3,363 | 11,449 | - | - |
| Accounting and audit | 6,069 | 8,941 | 5,970 | 484 | 2,321 | - | - |
| Client supplies and activities | 19,578 | 14,583 | 11,089 | 1,068 | 663 | 1,446 | - |
| Office expenses | 2,724 | 1,431 | 1,737 | 125 | 182 | 583 | - |
| Legal and professional | 54 | 235 | - | - | 11,553 | - | - |
| Training and development | 2,446 | 3,542 | 2,426 | 176 | 384 | - | - |
| Travel | 540 | 420 | 135 | 225 | 796 | - | - |
| Interest expense | - | 16 | 9 | 13 | 81 | - | - |
| TOTAL EXPENSES | \$ 777,857 | \$ 728,175 | \$ 702,882 | \$ 89,346 | \$ 398,834 | \$ 217,059 | \$ 89,800 |

See accompanying notes.

| | Total Program Services | General & Administrative | Fundraising | Capital Campaign | Total Support Services | 2022 Total | 2021 Total |
|--------------------------------|------------------------------|-----------------------------|-------------------|---------------------|------------------------------|---------------------|---------------------|
| Salaries and wages | \$ 1,653,472 | \$ 154,408 | \$ 246,951 | \$ - | \$ 401,359 | \$ 2,054,831 | \$ 2,227,259 |
| Payroll taxes | 122,904 | 11,604 | 17,789 | - | 29,393 | 152,297 | 165,376 |
| Fringe benefits | 131,491 | 30,815 | 38,362 | - | 69,177 | 200,668 | 307,978 |
| Total Personnel | <u>1,907,867</u> | <u>196,827</u> | <u>303,102</u> | <u>-</u> | <u>499,929</u> | <u>2,407,796</u> | <u>2,700,613</u> |
| Occupancy | 422,666 | 11,398 | 17,697 | - | 29,095 | 451,761 | 411,973 |
| Depreciation | 163,876 | 2,976 | 3,162 | - | 6,138 | 170,014 | 160,746 |
| Other expenses | 154,312 | 375 | 255 | 7,441 | 8,071 | 162,383 | 157,493 |
| Information technology | 80,146 | 10,372 | 15,820 | - | 26,192 | 106,338 | 119,080 |
| Prevention | 105,825 | - | - | - | - | 105,825 | 88,936 |
| Advertising and promotion | 17,915 | 4,824 | 66,849 | - | 71,673 | 89,588 | 59,226 |
| Contract labor | 3,177 | 41,711 | 21,111 | - | 62,822 | 65,999 | 36,721 |
| Insurance | 46,124 | 2,201 | 3,232 | - | 5,433 | 51,557 | 46,063 |
| Accounting and audit | 23,785 | 3,722 | 23,157 | - | 26,879 | 50,664 | 40,358 |
| Client supplies and activities | 48,427 | - | - | - | - | 48,427 | 37,259 |
| Office expenses | 6,782 | 874 | 20,678 | - | 21,552 | 28,334 | 35,449 |
| Legal and professional | 11,842 | - | - | - | - | 11,842 | 11,795 |
| Training and development | 8,974 | 853 | 1,063 | - | 1,916 | 10,890 | 6,416 |
| Travel | 2,116 | - | 171 | - | 171 | 2,287 | 1,120 |
| Interest expense | 119 | - | - | - | - | 119 | - |
| TOTAL EXPENSES | <u>\$ 3,003,953</u> | <u>\$ 276,133</u> | <u>\$ 476,297</u> | <u>\$ 7,441</u> | <u>\$ 759,871</u> | <u>\$ 3,763,824</u> | <u>\$ 3,913,248</u> |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2021

FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Prevention Services | Family Shelters | Individual Shelters | Transitional Housing | Permanent Housing | Motel Outreach | Veterans Housing |
|--------------------------------|------------------------|--------------------|------------------------|-------------------------|----------------------|-------------------|---------------------|
| 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 | 560,546 | 641,683 | 463,883 | 25,595 | 55,818 | 447,741 | 10,421 |
| Occupancy | 43,246 | 78,076 | 91,617 | 21,930 | 144,020 | 7,631 | 357 |
| Depreciation | 7,665 | 46,973 | 22,706 | 18,370 | 57,934 | - | 764 |
| Other expenses | 1,370 | 10,051 | 4,986 | 1,766 | 47,637 | 42 | 90,000 |
| 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 | \$ 749,181 | \$ 835,162 | \$ 623,131 | \$ 73,947 | \$ 353,072 | \$ 488,121 | \$ 103,769 |

See accompanying notes.

| | Total Program Services | General & Administrative | Fundraising | Capital Campaign | Total Support Services | 2021 Total |
|--------------------------------|---------------------------------------|---|--------------------|-----------------------------|---------------------------------------|-----------------------|
| Salaries and wages | \$ 1,813,452 | \$ 210,015 | \$ 203,792 | \$ - | \$ 413,807 | \$ 2,227,259 |
| Payroll taxes | 134,333 | 15,758 | 15,285 | - | 31,043 | 165,376 |
| Fringe benefits | 257,902 | 24,410 | 25,666 | - | 50,076 | 307,978 |
| 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> |
| Occupancy | 386,877 | 10,341 | 14,755 | - | 25,096 | 411,973 |
| Depreciation | 154,412 | 3,071 | 3,263 | - | 6,334 | 160,746 |
| Other expenses | 155,852 | 138 | 918 | 585 | 1,641 | 157,493 |
| Information technology | 82,766 | 8,421 | 27,893 | - | 36,314 | 119,080 |
| Prevention | 88,936 | - | - | - | - | 88,936 |
| Advertising and promotion | 3,520 | 3,261 | 52,445 | - | 55,706 | 59,226 |
| Insurance | 41,599 | 2,000 | 2,464 | - | 4,464 | 46,063 |
| Accounting and audit | 20,851 | 3,472 | 16,035 | - | 19,507 | 40,358 |
| Client supplies and activities | 37,259 | - | - | - | - | 37,259 |
| Contract labor | 15,417 | - | 21,304 | - | 21,304 | 36,721 |
| Office expenses | 15,723 | 2,103 | 17,023 | 600 | 19,726 | 35,449 |
| Legal and professional | 11,606 | 87 | 102 | - | 189 | 11,795 |
| Training and development | 5,000 | - | 1,416 | - | 1,416 | 6,416 |
| Travel | 878 | - | 242 | - | 242 | 1,120 |
| 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> |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | 2022 | 2021 |
|--|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from grants and contracts | \$ 1,133,974 | \$ 1,532,893 |
| Cash received from contributions | 2,445,907 | 2,427,700 |
| Rent and program income | 482,349 | 408,873 |
| Interest received | 119,256 | 63,641 |
| Cash paid to suppliers for goods and services | (1,333,100) | (917,464) |
| Cash paid for salaries, taxes and benefits | (2,420,110) | (2,624,504) |
| Interest paid | (119) | - |
| | 428,157 | 891,139 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (295,156) | (227,369) |
| Proceeds from notes receivable | - | 25,000 |
| Proceeds from sales of investments | 1,810,096 | 1,455,751 |
| Purchases of investments | (2,244,590) | (3,029,078) |
| | (729,650) | (1,775,696) |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from capital gifts | 1,152,056 | - |
| Cash received from Paycheck Protection Program loan | - | 479,550 |
| | 1,152,056 | 479,550 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 850,563 | (405,007) |
| BEGINNING CASH AND RESTRICTED CASH | 547,913 | 952,920 |
| ENDING CASH AND RESTRICTED CASH | \$ 1,398,476 | \$ 547,913 |
| REPORTED ON THE STATEMENTS OF FINANCIAL POSITION AS: | | |
| Cash - unrestricted | \$ 226,373 | \$ 407,175 |
| Cash - restricted | 154,198 | 113,821 |
| Restricted cash - noncurrent | 1,017,905 | 26,917 |
| | \$ 1,398,476 | \$ 547,913 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY | | |
| Forgiveness of Paycheck Protection Program loan | \$ 479,550 | \$ 470,000 |

See accompanying notes.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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. Housing navigation services are a component of *Prevention 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.

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

Programs and activities (continued)

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.

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. Costs of winding down the program continued into fiscal year 2021; fiscal year 2022 includes the remainder of the VA recapture as disclosed in Note 13.

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.

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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 \$1,161,000 and \$290,000 as of September 30, 2022 and 2021, respectively.

Investments and fair value measurements

Investments are reported at their fair values in the Statements of Financial Position, and changes in fair value are reported as investment return in the Statements of Activities.

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 is 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.

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.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

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.

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 2022 or 2021, and had no contract assets or liabilities as of the beginning or end of fiscal years 2022 or 2021.

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, 2022 AND 2021

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

Advertising

Advertising costs are charged to expense when incurred.

Reclassification

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

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, 2022 AND 2021

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>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Financial assets at year-end: | | |
| Cash - unrestricted | \$ 226,373 | \$ 407,175 |
| Cash - restricted | 1,172,103 | 140,738 |
| Grants, contracts and rents receivable | 357,568 | 272,824 |
| Gifts receivable | 800,275 | 45,000 |
| Notes receivable - related party | 906,000 | 906,000 |
| Investments in marketable securities | 5,277,196 | 5,707,206 |
| Investment in COTS Housing Inc. | 2,343,126 | 2,343,126 |
| Total financial assets at year-end | <u>11,082,641</u> | <u>9,822,069</u> |
| Less amounts not available to meet general expenditures: | | |
| Net assets with donor restrictions | (2,972,378) | (1,185,738) |
| Notes receivable - related party | (906,000) | (906,000) |
| Board-designated investments | (1,025,969) | (1,156,353) |
| Investment in COTS Housing Inc. | <u>(2,343,126)</u> | <u>(2,343,126)</u> |
| | <u>(7,247,473)</u> | <u>(5,591,217)</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 3,835,168</u> | <u>\$ 4,230,852</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>2022</u> | <u>2021</u> |
|------------------|---------------------|-------------------|
| Programs | \$ 154,198 | \$ 113,821 |
| Capital campaign | <u>1,017,905</u> | <u>26,917</u> |
| | <u>\$ 1,172,103</u> | <u>\$ 140,738</u> |

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

| | | |
|------------|---------------------|-------------------|
| Current | \$ 154,198 | \$ 113,821 |
| Noncurrent | <u>1,017,905</u> | <u>26,917</u> |
| | <u>\$ 1,172,103</u> | <u>\$ 140,738</u> |

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

4) GRANTS, CONTRACTS AND RENTS 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, 2022 or 2021.

5) GIFTS RECEIVABLE

Gifts receivable consisted of the following at September 30:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|------------------|
| Receivable in less than one year | \$ 703,475 | \$ 45,000 |
| Receivable in one to three years | 96,800 | - |
| | <u>\$ 800,275</u> | <u>\$ 45,000</u> |

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

| | | |
|------------|-------------------|------------------|
| Current | \$ 270,175 | \$ 45,000 |
| Noncurrent | 530,100 | - |
| | <u>\$ 800,275</u> | <u>\$ 45,000</u> |

Management has deemed the discount to net present value to be immaterial, and that all amounts are fully collectible.

6) PROPERTY AND EQUIPMENT

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

| | <u>2022</u> | <u>2021</u> |
|----------------------------|---------------------|---------------------|
| Buildings and improvements | \$ 3,999,728 | \$ 3,819,550 |
| Equipment | 798,492 | 767,631 |
| Land and easement | 139,750 | 139,750 |
| Construction in progress | 194,328 | 104,513 |
| | 5,132,298 | 4,831,444 |
| Accumulated depreciation | <u>(3,006,181)</u> | <u>(2,846,920)</u> |
| | <u>\$ 2,126,117</u> | <u>\$ 1,984,524</u> |

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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 2017, 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>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Mutual funds: | | |
| Equity mutual funds | \$ 116,118 | \$ 106,899 |
| International mutual funds | 111,430 | 238,200 |
| Subtotal - mutual funds | 227,548 | 345,099 |
| Cash and money funds | 243,463 | 978,577 |
| Fixed income securities | 2,875,130 | 2,031,190 |
| Equity securities | 1,912,845 | 2,352,340 |
| Other | 18,210 | - |
| Total investments measured at fair value | <u>\$ 5,277,196</u> | <u>\$ 5,707,206</u> |

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

8) INVESTMENTS IN MARKETABLE SECURITIES (continued)

COTS investments include both funds with donor restrictions and without donor restrictions. The investments include \$1M of Main Street Family Housing project funds reported as net assets with 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, 2022: | | | |
| Cash and money funds | \$ 243,463 | \$ 243,463 | \$ - |
| Mutual funds | 227,548 | 251,375 | (23,827) |
| Fixed income securities | 2,875,130 | 3,129,553 | (254,423) |
| Equity securities | 1,912,845 | 1,532,893 | 379,952 |
| Other | 18,210 | 25,249 | (7,039) |
| | <u>\$ 5,277,196</u> | <u>\$ 5,182,533</u> | <u>\$ 94,663</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> |

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

| | <u>2022</u> | <u>2021</u> |
|------------------------|---------------------|-------------------|
| Interest and dividends | \$ 148,369 | \$ 86,877 |
| Realized gain | 41,915 | 16,766 |
| Unrealized gain (loss) | (891,014) | 375,203 |
| Investment fees | (29,113) | (23,236) |
| | <u>\$ (729,843)</u> | <u>\$ 455,610</u> |

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

9) INVESTMENT IN COTS HOUSING, INC.

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.

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, 2022 and 2021. At the end of the 15-year tax credit term, the ownership of this building will revert back to COTS.

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, 2022 and 2021 were \$2,343,126.

In November 2022, COTS Housing Inc., a wholly owned subsidiary of COTS, became a general partner with a 0.0045% equity interest in the Main Street Family Housing Limited Partnership. COTS assigned \$2,260,985 of assets to COTS Housing, Inc., which then assigned the assets to the Main Street Family Housing LP. The equity contribution consisted of \$1,910,985 in cash and \$350,000 in land contributions.

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 was recorded as miscellaneous income in the Statements of Activities in the fiscal year ended September 30, 2021.

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 was forgiven in November 2021 and is recorded as miscellaneous income in the Statements of Activities in the fiscal year ended September 30, 2022.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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 \$35,516 and \$39,364 for the years ended September 30, 2022 and 2021, respectively.

12) LEASES

In January 2011, COTS entered into a 30-year lease agreement with Canal Street 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 required monthly payments of \$13,671, which could 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 \$65,529 and \$53,593 for the years ended September 30, 2022 and 2021, respectively.

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

| | | |
|------------|----|----------------|
| 2023 | \$ | 69,000 |
| 2024 | | 69,000 |
| 2025 | | 69,000 |
| 2026 | | 69,000 |
| 2027 | | 69,000 |
| Thereafter | | 468,000 |
| | \$ | <u>813,000</u> |

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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 (VHCB).

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

In January 2020, COTS was notified that the Veterans Administration (VA) intended 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 Limited Partnership for the construction of the Canal Street building. This notification began a process, through which COTS' ultimate obligation to the VA would be determined. In June 2020, the VA provided an estimate of \$179,800 for this liability, a cost expected to be shared with Evernorth (formerly Housing Vermont, Inc.). Although not a final determination, COTS accrued a contingent liability of \$90,000 for the year ended September 30, 2021. COTS was unsuccessful in requesting a waiver of the VA recapture, and in fiscal year 2022, COTS paid the \$179,800 obligation, which included the prior year accrual.

14) NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|---------------------|---------------------|
| Main Street Family Housing project | \$ 2,664,675 | \$ 1,026,917 |
| Risk pool | 86,735 | 86,735 |
| Housing Resource Center | 112,452 | 48,519 |
| Children's mental health | 50,000 | - |
| Children's enrichment | 80 | 15,131 |
| Future periods | <u>58,436</u> | <u>8,436</u> |
| | <u>\$ 2,972,378</u> | <u>\$ 1,185,738</u> |

15) DESIGNATED NET ASSETS

Designated net assets are comprised of funds designated by the Board of Directors for COTS' properties, and a \$75,000 donation, without donor restriction, reserved by the board for the Main Street Housing capital campaign.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

16) CAPITAL CAMPAIGN

In 2022, COTS launched the Main Street Housing capital campaign "Bringing Vermont Families Home". Cumulatively, COTS has raised approximately \$2.7 million in private funds, mostly from major donors and family foundations. These funds, paired with publicly-funded grants and low-income housing tax credits, will allow for the construction of 16 new units of housing, specifically for families with children who have experienced homelessness. The new building is being built adjacent to COTS' existing family shelter, in-filling an underutilized lot. The location is ideal for families - directly across from a school and playground, steps away from a public bus stop and moments from the amenities of the downtown area. The campaign concluded in 2022 and exceeded its goal. Construction began in November 2022, and the project is slated for completion and occupancy in January 2024.

17) 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.

18) 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 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 returned to working onsite.

COMMITTEE ON TEMPORARY SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

18) GLOBAL PANDEMIC (continued)

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 recorded as miscellaneous income in the Statements of Activities in the fiscal year ended September 30, 2021.

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 miscellaneous income in the Statements of Activities in the fiscal year ended September 30, 2022.

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

19) SUBSEQUENT EVENTS

As disclosed in Note 9, in November 2022, COTS Housing Inc., a wholly-owned subsidiary of COTS, became a general partner with a 0.0045% equity interest in the Main Street Family Housing Limited Partnership. Upon inception, COTS Housing Inc. made an investment of \$2,260,985.

In November 2022, COTS signed an American Rescue Plan Act (ARPA) loan among VHCB, COTS and Evernorth, Inc. for amounts up to \$2,011,904. The purpose of the ARPA funds is to secure housing and facilities necessary to provide safe shelter and assistance for persons who are, or are at risk of, experiencing homelessness due to the pandemic and economic fallout. Disbursements must be for expenses incurred from March 3, 2021 through December 31, 2024. Loan proceeds will fund the Main Street Housing Project. The first draw of \$270,298 occurred in March 2023.

In November 2022, the City of Burlington made a HOME loan to COTS for an amount up to \$495,000, also to be used for the Main Street Family Housing project. No draws had been made as of the date of this report.

Committee on Temporary Shelter, Inc. has evaluated events and transactions for potential recognition or disclosure through April 20, 2023, the date the financial statements were available to be issued.