

**Shelter Association of Washtenaw County
Financial Statements
June 30, 2025 and 2024**

Shelter Association of Washtenaw County

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June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shelter Association of Washtenaw County
Ann Arbor, MI

Opinion

We have audited the accompanying financial statements of Shelter Association of Washtenaw County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Shelter Association of Washtenaw County as of June 30, 2025, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Shelter Association of Washtenaw County for the year ended June 30, 2024, were audited by another auditor, who expressed an unmodified opinion on those statements on April 8, 2025.

Emphasis of Matter

As described in Note 19 to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Shelter Association of Washtenaw County 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 presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 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 Shelter Association of Washtenaw County'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 Shelter Association of Washtenaw County'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.



Cole, Newton & Duran CPAs
Livonia, Michigan
August 21, 2026

Shelter Association of Washtenaw County
Statement of Financial Position
June 30, 2025 and 2024

ASSETS		2025	2024
CURRENT ASSETS			
Cash and cash equivalents		\$ 2,680,251	\$ 1,159,366
Short term investments		1,979,022	1,893,841
Grants, pledges, and other receivables		513,051	1,164,487
Board designated endowment fund		2,925,900	2,221,191
Prepaid expenses		20,894	19,171
Total current assets		8,119,118	6,458,056
PROPERTY AND EQUIPMENT, NET		78,822	34,794
OTHER ASSETS			
Donor restricted endowment fund		1,027,238	1,027,238
Total other assets		1,027,238	1,027,238
TOTAL ASSETS		<u>\$ 9,225,178</u>	<u>\$ 7,520,088</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 59,468	\$ 115,081
Accrued payroll and withholdings		134,435	159,570
Total current liabilities		193,903	274,651
NET ASSETS			
Without donor restrictions			
Undesignated		4,585,520	3,454,099
Board designated		3,175,900	2,471,191
With donor restrictions		1,269,855	1,320,147
Total net assets		9,031,275	7,245,437
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 9,225,178</u>	<u>\$ 7,520,088</u>

See Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Activities and Changes in Net Assets
For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 2,734,824	\$ 8,189	\$ 2,743,013	\$ 2,289,582	\$ 288,722	\$ 2,578,304
In-kind donations	75,944	-	75,944	65,914	-	65,914
Grants	2,586,932	-	2,586,932	1,973,550	-	1,973,550
Special events, net	268,689	20,519	289,208	194,768	-	194,768
Investment (loss) income	518,803	-	518,803	418,058	-	418,058
Miscellaneous income	6,844	-	6,844	14,288	-	14,288
Total revenue, gains, and other support	6,192,036	28,708	6,220,744	4,956,160	288,722	5,244,882
NET ASSETS RELEASED FROM RESTRICTIONS	79,000	(79,000)	-	80,671	(80,671)	-
Total revenue, gains, other support, and net assets released from restrictions	6,271,036	(50,292)	6,220,744	5,036,831	208,051	5,244,882
EXPENSES						
Program services	3,639,741	-	3,639,741	3,331,156	-	3,331,156
Support services:						
Management and general	326,488	-	326,488	305,819	-	305,819
Fundraising	468,677	-	468,677	446,470	-	446,470
Total functional expenses	4,434,906	-	4,434,906	4,083,445	-	4,083,445
INCREASE (DECREASE) IN NET ASSETS	1,836,130	(50,292)	1,785,838	953,386	208,051	1,161,437
NET ASSETS AT BEGINNING OF YEAR	5,925,290	1,320,147	7,245,437	4,971,904	1,112,096	6,084,000
NET ASSETS AT END OF YEAR	<u>\$ 7,761,420</u>	<u>\$ 1,269,855</u>	<u>\$ 9,031,275</u>	<u>\$ 5,925,290</u>	<u>\$ 1,320,147</u>	<u>\$ 7,245,437</u>

See Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,253,169	\$ 107,855	\$ 324,927	\$ 2,685,951
Employee benefits	231,222	11,771	57,093	300,086
Payroll taxes	172,343	8,213	23,738	204,294
Total salaries and related expenses	2,656,734	127,839	405,758	3,190,331
Specific assistance to individuals	449,081	-	158	449,239
Supplies	144,009	12,501	13,274	169,784
Contract services	148,207	9,867	2,976	161,050
Pass-thru expense	33,891	-	-	33,891
Insurance	19,053	23,605	2,382	45,040
Equipment repair and maintenance	1,862	19,230	10,251	31,343
Occupancy - utilities and repairs	136,643	23,809	1,921	162,373
Postage and shipping	231	924	3,464	4,619
Printing and publications	-	1,613	72,348	73,961
Professional fees	-	22,630	-	22,630
Telephone	3,784	3,432	1,886	9,102
Travel	3,583	11,202	(4,188)	10,597
Bank charges	-	744	9,795	10,539
Equipment purchase/rental	1,706	4,213	297	6,216
Conferences and meetings	50	16,767	1,943	18,760
Other	18,287	48,112	944	67,343
Depreciation	22,620	-	-	22,620
Total expenses	3,639,741	326,488	523,209	4,489,438
Less expenses included with revenue on the statement of activities:				
Direct expenses of special events	-	-	(54,532)	(54,532)
Total expenses shown on the statement of activities	\$ 3,639,741	\$ 326,488	\$ 468,677	\$ 4,434,906

See Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,030,097	\$ 77,033	\$ 310,234	\$ 2,417,364
Employee benefits	208,287	11,695	40,058	260,040
Payroll taxes	155,772	7,621	23,293	186,686
Total salaries and related expenses	2,394,156	96,349	373,585	2,864,090
Specific assistance to individuals	359,212	55	-	359,267
Supplies	184,470	16,971	3,240	204,681
Contract services	206,702	32,507	2,562	241,771
Pass-thru expense	34,479	-	-	34,479
Insurance	10,410	26,392	1,302	38,104
Equipment repair and maintenance	6,474	29,664	8,775	44,913
Occupancy - utilities and repairs	98,013	12,361	5,787	116,161
Postage and shipping	209	726	3,096	4,031
Printing and publications	-	1,901	89,127	91,028
Professional fees	-	20,287	-	20,287
Telephone	4,557	2,604	2,323	9,484
Travel	12,272	624	660	13,556
Bank charges	-	743	9,243	9,986
Equipment purchase/rental	8,798	28,924	520	38,242
Conferences and meetings	-	12,658	4,364	17,022
Other	2,531	22,586	-	25,117
Depreciation	8,873	467	-	9,340
Total expenses	3,331,156	305,819	504,584	4,141,559
Less expenses included with revenue on the statement of activities:				
Direct expenses of special events	-	-	(58,114)	(58,114)
Total expenses shown on the statement of activities	<u>\$ 3,331,156</u>	<u>\$ 305,819</u>	<u>\$ 446,470</u>	<u>\$ 4,083,445</u>

See Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,785,838	\$ 1,161,437
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	22,620	9,340
Donated securities	(12,741)	(32,268)
Net realized and unrealized (gain) loss on investments	(292,762)	(271,004)
(Increase) decrease in assets:		
Grants, pledges, and other receivables	651,436	(869,206)
Prepaid expenses	(1,723)	1,020
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(55,613)	79,684
Accrued payroll and withholdings	(25,135)	68,410
Refundable advances	-	(285,331)
Net cash provided by (used in) operating activities	2,071,920	(137,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(66,648)	-
Proceeds from sales of investments	2,850,567	1,851,798
Purchase of investments	(3,334,954)	(1,943,343)
Deposits on property and equipment not yet placed in service	-	(16,410)
Net cash used in investing activities	(551,035)	(107,955)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,520,885	(245,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,159,366	1,405,239
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,680,251</u>	<u>\$ 1,159,366</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 1 – Nature of Activities

Shelter Association of Washtenaw County (the Shelter Association) is a Michigan non-profit organization, based in Ann Arbor, Michigan, offering a variety of services and intensive case management to individuals who are experiencing homelessness. Services include immediate needs related to food, clothing, and transportation. Extended assistance related to substance abuse treatment, health care, permanent housing, and money management may also be provided. Sources of revenues are grants and contributions.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Shelter Association is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions consist of resources that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions consist of resources of which the use by the Shelter Association is limited by donor-imposed stipulations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, with original maturity dates of less than three months. Cash and cash equivalents held in investment brokerage accounts are considered investments.

Investments

Investments are stated at fair value based on readily determinable pricing information. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Investment fees are netted against investment income. Any donated investments received during the year are reflected as contributions at their market values at date of receipt. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 2 – Summary of Significant Accounting Policies (continued)

Grants receivable

The Shelter Association uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on Management's review, all amounts are expected to be collectible. No allowance was deemed necessary as of June 30, 2025 and 2024.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions would be provided when evidence indicates that amounts promised by donors may not be collectible. The balance of contributions receivable is deemed fully collectible.

Property and Equipment

The Shelter Association capitalizes property and equipment purchases in excess of \$2,500. Property and equipment are reported at historical cost or the estimated fair value at the date of receipt for donated assets, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Shelter Association estimates the useful lives of assets held to be in the range of 5 to 10 years. Costs of maintenance and repairs are charged to expense when incurred.

Leases

The Shelter Association leases office space under a short-term lease. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

The Shelter Association may receive grants and other gifts of cash and other assets with donor restrictions that limit the use of the donated assets. For gifts of cash and other assets for which the donor stipulation is met in the same period as the contribution, the contribution is reported as contributions without donor restrictions and included as increases in net assets without donor restrictions. Other donor restricted contributions would be reported as contributions with donor restrictions and included as increases within net assets with donor restriction when received and reclassified to net assets without donor restrictions when restrictions expire.

The Shelter Association may receive grants and other gifts of cash with certain conditions. Conditional contributions are recognized only when the conditions on which they depend are substantially met. Conditional contributions received before the conditions have been substantially met have been classified as refundable advances.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 2 – Summary of Significant Accounting Policies (continued)

Donated Goods and Services

The Shelter Association records the value of donated goods and contributions using estimated fair values at the date of receipt. The Shelter Association recognized donated goods and office space of \$75,944 and \$65,914 for the years ended June 30, 2025 and 2024, respectively.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. While a significant amount of volunteered services was received, the Shelter Association did not receive any donated services for the years ended June 30, 2025 and 2024 that met the criteria to be recorded.

The Shelter Association received an in-kind donation of office space valued \$37,156 and \$9,289 for the years ended June 30, 2025 and 2024, respectively. This amount is included in the above and is recognized as both contribution revenue and rent expense in the financial statements in accordance with generally accepted accounting principles (GAAP). The donor did not place any restrictions on the use of the space.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Occupancy expenses are allocated on a square footage basis. Payroll expenses and contract services are allocated on the basis of estimates of time and effort. Supplies are allocated based on usage. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Tax Status

The Shelter Association is a not-for-profit corporation which is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3) and is classified as an organization other than a private foundation, as described in Section 509(a). The Shelter Association's continued status as an exempt organization is considered to be a tax position. Management has analyzed the Shelter Association's material tax positions as of June 30, 2025 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the Shelter Association's financial statements. The Shelter Association is no longer subject to U.S. Federal tax examinations for years ended before June 30, 2022.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Board designated net assets were adjusted to include the board designated quasi endowment. Cash on the statement of financial position and within the statement of cash flows has been adjusted to exclude amounts held in brokerage accounts. These reclassifications had no effect on the result of operations, total assets, total liabilities, or total net assets.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 3 – Concentrations and Credit Risk

Cash Balances

Balances at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, cash balances exceed insured limits. Uninsured balances as of June 30, 2025 and 2024, were \$8,875 and \$5,996, respectively. The Shelter Association has not experienced any losses with respect to uninsured cash balances.

Investments

The Shelter Association maintains cash, cash equivalents, certificates of deposit, and other securities in brokerage accounts. Certain cash and securities in broker accounts are guaranteed by the Security Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. Market losses are not covered by the SIPC. The balances in brokerage accounts at times may exceed insured limits. Uninsured balances for the years ended June 30, 2025 and 2024 were \$4,822,566 and \$3,857,530, respectively. The Shelter Association has not experienced any losses with respect to uninsured cash balances.

Receivables

For the years ended June 30, 2025 and 2024, the Organization had a concentration in grants and other receivables from three funders which make up 70% and 57%, respectively, of total receivables.

NOTE 4 – Investments and Fair Value Measurements

Accounting standards require that certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Shelter Association's assets measured at fair value on a recurring basis at June 30, 2025 and 2024 and the valuation techniques used by the Shelter Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Shelter Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, which are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Shelter Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. During the years ended June 30, 2025 and 2024, there were no changes in valuation approach or valuation technique and no transfers between levels.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 4 – Investments and Fair Value Measurements (continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2025				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2025
Cash and cash equivalents	\$ 109,593	\$ -	\$ -	\$ 109,593
Equity ETFs and mutual funds	2,207,249	-	-	2,207,249
Treasury notes and certificates of deposit	-	2,323,767	-	2,323,767
Fixed Income ETF and mutual funds	584,504	-	-	584,504
Mixed ETFs and mutual funds	707,047	-	-	707,047
Total	\$ 3,608,393	\$ 2,323,767	\$ -	\$ 5,932,160

Assets Measured at Fair Value on a Recurring Basis at June 30, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Cash and cash equivalents	\$ 284,739	\$ -	\$ -	\$ 284,739
Equity ETFs and mutual funds	1,767,972	-	-	1,767,972
Treasury notes and certificates of deposit	-	1,949,936	-	1,949,936
Fixed Income ETF and mutual funds	516,375	-	-	516,375
Mixed ETFs and mutual funds	623,248	-	-	623,248
Total	\$ 3,192,334	\$ 1,949,936	\$ -	\$ 5,142,270

ETFs and mutual funds are valued at the closing prices reported in the active markets. Treasury notes and certificates of deposit are measured at fair value when the information is available from the financial institution; otherwise, the assets are stated at face value.

The following schedule reconciles investment income as reported in the statement of activities with investment earnings as the years ended June 30:

	2025	2024
Investment income	\$ 248,847	\$ 166,627
Realized gain (loss) on sale of investment	57,189	66,385
Unrealized gains on investments	235,573	204,619
Investment fees	(22,806)	(19,573)
Total investment income	\$ 518,803	\$ 418,058

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 4 – Investments and Fair Value Measurements (continued)

Investment Risks

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 5 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 134,533	\$ 118,123
Furniture and equipment	44,694	44,694
Software	18,748	18,748
Vehicles	91,917	25,269
Deposits on improvements not complete	-	16,410
Total property and equipment	289,892	223,244
Less: accumulated depreciation	(211,070)	(188,450)
Total property and equipment, net	<u>\$ 78,822</u>	<u>\$ 34,794</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$22,620 and \$9,340, respectively.

NOTE 6 – Pledges Receivable

Long term pledges receivable as of June 30, 2025 and 2024 were discounted to present value at 4.296% and 5.373%, respectively. They are expected to be received as follows:

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 95,519	\$ 75,000
One to two years	75,000	75,000
Two to five years	-	75,000
Unconditional contributions receivable before unamortized discount	170,519	225,000
Less unamortized discount	(3,089)	(11,278)
Net contributions receivable	<u>\$ 167,430</u>	<u>\$ 213,722</u>

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 7 – Grants

The following represents details of grant revenue for the fiscal year ended June 30:

	2025	2024
Ann Arbor Excise/HDC	\$ 50,000	\$ 140,000
BOC Warming Center	222,537	-
CHRT Grants	67,942	36,961
Department of Veteran Affairs	139,622	131,369
DHHS Salvation Army Grant	343,625	420,712
Diversion/SOS-MSHDA	184,180	-
EFSP FEMA	41,959	19,198
Housing Crisis Stabilization Program	103,060	65,865
MSHDA Emergency Solutions Grant	308,420	298,360
OCED Ann Arbor Warming Center	222,000	72,000
OCED COVID-19 Grant	-	40,124
OCED for Residential Services	250,000	250,000
Washtenaw County - CMH Grant	100,834	66,667
Washtenaw County - General Funds	250,000	250,000
Washtenaw County - Warming Center	183,540	83,540
Ypsilanti Freighthouse Day Shelter	97,564	97,500
Other grants	21,649	1,254
	<u><u>\$ 2,586,932</u></u>	<u><u>\$ 1,973,550</u></u>

In addition to the above, during the year ended June 30, 2024, the Shelter Association was awarded a \$270,000 Homeless Shelter Repair Grant from the Michigan Department of Health and Human Services primarily to reimburse expenditures related to installing a new backup generator and a renovation of the elevator system at 312 W. Huron in Ann Arbor. Based on the terms of the Grant, read in conjunction with the Operating Agreement with Washtenaw County, the owner of the building, Management has determined that the Shelter Association is considered an agent or intermediary under ASC 958-605-25-24, therefore, no revenue or expense related to these repairs is recognized. Reimbursable expenditures made by the Shelter Association under the grant as of June 30, 2024 totaled \$153,508 and are included in the Grants and Other Receivables line on the Statement of Financial Position. During the year ended June 30, 2025, the remaining reimbursable expenditures were made, and the entire \$270,000 reimbursement was received.

Grants, pledges, and other receivables are comprised of the following at June 30:

	2025	2024
Grants receivable	\$ 345,621	\$ 950,765
Pledges receivable	167,430	213,722
Total	<u><u>\$ 513,051</u></u>	<u><u>\$ 1,164,487</u></u>

In 2024, the balance included end of year invoicing of delayed finalization of contract amendments and amendments to earlier grant invoices.

Shelter Association of Washtenaw County
Notes to the Financial Statements
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NOTE 8 – Special Fund-Raising Events

The Shelter Association hosts events during the year to raise funds for program services. A summary of fundraising events during the years ended June 30 are as follows:

Events for the year ended June 30, 2025				
	Almost Home Golf Outing	Breakfast Benefit	Other	Total 2025
Total contributed revenue	\$ 312,503	\$ 28,082	\$ 3,155	\$ 343,740
Direct expenses	(48,913)	(5,619)	-	(54,532)
Net revenue from events	<u>\$ 263,590</u>	<u>\$ 22,463</u>	<u>\$ 3,155</u>	<u>\$ 289,208</u>

Events for the year ended June 30, 2024				
	Almost Home Golf Outing	Hunger & Homelessness	40th Anniversary & Other	Total 2024
Total contributed revenue	\$ 209,362	\$ 9,580	\$ 33,940	\$ 252,882
Direct expenses	(46,035)	(2,448)	(9,631)	(58,114)
Net revenue from events	<u>\$ 163,327</u>	<u>\$ 7,132</u>	<u>\$ 24,309</u>	<u>\$ 194,768</u>

NOTE 9 – Operating Agreement - Downtown Shelter (Robert J. Delonis Center)

On December 1, 2003, the Shelter Association entered into a sub-agreement with the Washtenaw Housing Alliance (a not-for-profit organization and lead agency designated by Washtenaw County) to operate the downtown shelter located at 312 W. Huron Street through July 31, 2017 with two 15-year renewals. The Shelter Association recognized the entire fair market value of the building at the commencement of the original agreement. Upon the first renewal, the Shelter Association revalued the FMV of the building, however, there was no additional fair market value to recognize.

The Shelter Association is also responsible for providing integrated, comprehensive services to the homeless. Washtenaw County is the owner of the facility (including furniture, fixtures, and equipment) and bears responsibility for maintenance and repairs. Washtenaw County does not charge rent but does require the Shelter Association to pay utilities. The Shelter Association finances operations through various government and local grants and contributions.

NOTE 10 – In-Kind Lease for Office Space

The Shelter Association received an in-kind lease for the use of office space from the City of Ann Arbor that is considered a short-term lease. The lease includes a monthly cash payment of \$400. The lease is below market and an in-kind donation valued at \$3,096 per month, based on the estimated fair market rental value of the space. For the years ended June 30, 2025 and 2024, The Shelter Association recognized \$37,156 and \$9,289, respectively, in In-kind donation revenue and an equal amount of rent expense related to this in-kind lease agreement. The total value of the in-kind contribution for the 15-month lease is \$46,445. The fair market value of the donated space was determined based on comparable rental prices for similar properties in the area. This in-kind donation significantly supports the Shelter Association's mission by providing operational facilities at a reduced cost.

Shelter Association of Washtenaw County
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NOTE 11 – Retirement Plan

The Shelter Association has a defined contribution salary deferral plan qualified under Internal Revenue Code Section 408(p). Under the plan, the Shelter Association matches 100% of employee contributions up to 3% of each participants' wages. The contributions to the plan amounted to \$37,235 and \$36,631 for the years ended June 30, 2025 and 2024, respectively.

NOTE 12 – Contingencies

The Shelter Association participates in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management feels that any liability for reimbursement which could arise as the result of a grantor audit would not be material.

NOTE 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2025</u>	<u>2024</u>
Purpose restrictions:		
Shelter Diversion	\$ 75,187	\$ 79,187
Total Restriction for Purpose	75,187	79,187
Time restrictions:		
Promises to give	167,430	213,722
Donor Restricted Endowment	1,027,238	1,027,238
Total Restriction for Time	1,194,668	1,240,960
Total Donor Restricted Net Assets	<u>\$ 1,269,855</u>	<u>\$ 1,320,147</u>

NOTE 14 – Net Assets Released from Net Assets with Donor Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Time restrictions:		
Pledges receivable	\$ 75,000	\$ 75,000
Purpose restrictions:		
Shelter Diversion	4,000	5,671
Total	<u>\$ 79,000</u>	<u>\$ 80,671</u>

NOTE 15 – Board Designated Net Assets without Donor Restrictions

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2025 and 2024, whose purpose is to be held for emergency expenses.

Shelter Association of Washtenaw County
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NOTE 16 – Donor Restricted and Board Restricted Endowment Fund

The Shelter Association's endowment consists of both contributions with donor restrictions and board restricted quasi endowment funds that function similarly to endowments but are subject to the discretion of the Board.

Interpretation of Relevant Law - The board of directors of the Shelter Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Shelter Association classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in donor restricted net assets is either the earnings on the endowment funds without restrictions to time or purpose specified by the donor, or board designated contributions and earnings which are by definition without donor restrictions. In accordance with UPMIFA, the Shelter Association exercises the standard of ordinary business care and prudence when determining the amount of earnings and gains to appropriate for expenditure or to accumulate within the endowment fund. The Shelter Association considers the following factors in exercising this standard of care: (1) the long-term and short-term needs of the Shelter Association in carrying out its charitable purpose; (2) the present and anticipated financial requirements of the Shelter Association; (3) the expected total return on investment; (4) price level trends; and (5) general economic conditions.

The endowment net asset composition by type of fund for the year ended June 30, 2025 and 2024 is as follows:

	2025	2024
Without donor restrictions, board designated	\$ 2,925,900	\$ 2,221,191
With donor restrictions	1,027,238	1,027,238
Total	<u>\$ 3,953,138</u>	<u>\$ 3,248,429</u>

The changes in endowment net assets for the year ended June 30, 2025 and 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total 2025
Beginning of year, July 1, 2024	\$ 2,221,191	\$ 1,027,238	\$ 3,248,429
Contributions	12,741	-	12,741
Other deposits	300,000	-	300,000
Withdrawals	(12,690)	-	(12,690)
Investment income	159,107	-	159,107
Investment fees	(18,930)	-	(18,930)
Realized gain (loss)	17,356	-	17,356
Unrealized gain (loss)	247,125	-	247,125
End of year, June 30, 2025	<u>\$ 2,925,900</u>	<u>\$ 1,027,238</u>	<u>\$ 3,953,138</u>

Shelter Association of Washtenaw County
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NOTE 16 – Donor Restricted and Board Restricted Endowment Fund (continued)

	Without Donor Restrictions	With Donor Restrictions	Total 2024
Beginning of year, July 1, 2023	\$ 1,888,664	\$ 1,027,238	\$ 2,915,902
Contributions	32,268	-	32,268
Withdrawals	(32,268)	-	(32,268)
Investment income	100,291	-	100,291
Investment fees	(15,836)	-	(15,836)
Realized gain (loss)	25,279	-	25,279
Unrealized gain (loss)	222,793	-	222,793
End of year, June 30, 2024	<u>\$ 2,221,191</u>	<u>\$ 1,027,238</u>	<u>\$ 3,248,429</u>

The shelter receives securities as donations from time to time. These are valued at market value on the date of donation. The Shelter Association normally sells these securities as soon as possible and uses proceeds in operations. The value of securities received was \$12,741 and \$32,268 for June 30, 2025 and 2024.

Return of Objectives and Risk Parameters - The Shelter Association has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the Shelter Association.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate of return objectives, the Shelter Association's return objective is to optimize total real rate of return (adjusted for inflation) as measured over a three to five-year market period against appropriate weighted market indices. The asset mix of the endowment fund is to range approximately within the following limits: fixed income instruments and equity instruments should be maintained at between 20% to 40% and 60% to 80%, respectively, of total investment balances.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Shelter Association's finance committee will review annually and recommend a spending percentage not to exceed 5% of the prior fiscal year and balances of the endowment account.

NOTE 17 – Liquidity and Availability of Financial Assets

The Shelter Association has an investment policy that requires monitoring of liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment growth of its available funds at a reasonable rate. During the years ended June 30, 2025 and 2024, the level of liquidity and reserves were managed within the policy requirements.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2025 and 2024

NOTE 17 – Liquidity and Availability of Financial Assets (continued)

The Shelter Association has various sources of liquidity at its disposal. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Total assets at year-end	\$ 9,225,178	\$ 7,520,088
Less those unavailable for general expenditures within one year		
Net property and equipment	78,822	34,794
Other current assets	20,894	19,171
Donor restricted net assets	1,269,855	1,320,147
	<u>1,369,571</u>	<u>1,374,112</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,855,607</u>	<u>\$ 6,145,976</u>

As described in Notes 15 and 16, the Shelter Association has board designated net assets. These amounts were not excluded from the calculation of financial assets available to meet cash needs for general expenditures as the Board has the authority to use these funds for general expenditures, if needed.

NOTE 18 – Conditional Grants

As of June 30, 2025, the Shelter Association had been awarded several conditional promises to give related to local, state, and federal grants which extend to various dates through June 30, 2029. Payment of the grants is contingent upon spending the funds for the designated, allowable purpose and various compliance requirements. As the award is conditional, based on future performance and approval, the Shelter Association has elected to recognize revenue as the funds are awarded and conditions are met. Future funds related to these awards that are expected to be received and recognized as revenue amount to \$1,868,352 as of June 30, 2025.

NOTE 19 – Prior Period Adjustment

Net assets without donor restrictions as of June 30, 2024 have been adjusted for a pledge receivable which should have been recorded during the year ended June 30, 2024. This correction fixed an understatement of revenue and increased net assets for the year ended June 30, 2024. Accordingly, the Shelter Association has restated its financial statements for the year ended June 30, 2024.

The effects on the change in net assets, net assets without donor restrictions, and total assets for 2024 resulting from this change are as follows:

	<u>Before Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Total Assets	\$ 7,306,366	\$ 213,722	\$ 7,520,088
Net assets with donor restrictions	1,106,425	213,722	1,320,147
Increase (decrease in net assets)	947,715	213,722	1,161,437