
SHELTER ASSOCIATION OF WASHTENAW COUNTY

Financial Statements
as of and for the years ended
June 30, 2020 and 2019,
and Independent Auditors' Report

SHELTER ASSOCIATION OF WASHTENAW COUNTY

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	2
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	8



Accounting. Tax. Advisory.

167 Little Lake Drive
P.O. Box 2389
Ann Arbor, MI 48106-2389
www.wsr-cpa.com - 734.662.2522

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Shelter Association of Washtenaw County

Report on the Financial Statements

We have audited the accompanying financial statements of Shelter Association of Washtenaw County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation 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 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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, 2020 and 2019, 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.

Respectfully,

WSR Certified Public Accountants, P.C.
WSR Certified Public Accountants, P.C.

June 11, 2021
Ann Arbor, Michigan

SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,962,491	\$ 934,564
Grants and other receivables	269,510	174,677
Promises to give, current portion (Note B)	21,650	41,875
Investments	363,782	569,698
Prepaid expenses	<u>11,431</u>	<u>26,432</u>
Total current assets	<u>2,628,864</u>	<u>1,747,246</u>
Promises to give, net of current portion (Note B)	5,750	23,000
Endowment fund (Note M)	1,027,238	1,027,238
Property and equipment, net (Note D)	<u>34,552</u>	<u>48,067</u>
TOTAL ASSETS	<u>\$ 3,696,404</u>	<u>\$ 2,845,551</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 24,080	\$ 2,101
Accrued payroll and withholdings	79,639	116,040
Current portion of long term debt	155,991	-
Refundable advances (Note O)	-	70,000
Total current liabilities	<u>259,710</u>	<u>188,141</u>
Long term liabilities		
PPP loan, net of current portion (Note P)	176,254	-
Total long term liabilities	<u>176,254</u>	<u>-</u>
TOTAL LIABILITIES	<u>435,964</u>	<u>188,141</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,955,802	1,315,297
Board designated (Note J)	<u>250,000</u>	<u>250,000</u>
Total net assets without donor restrictions	<u>2,205,802</u>	<u>1,565,297</u>
With donor restrictions (Note I)	<u>1,054,638</u>	<u>1,092,113</u>
TOTAL NET ASSETS	<u>3,260,440</u>	<u>2,657,410</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,696,404</u>	<u>\$ 2,845,551</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	Without Donor Restrictions	With Donor Restrictions	Total 2020
REVENUE AND SUPPORT			
Contributions	\$ 1,780,825	\$ -	\$ 1,780,825
In-kind donations	7,408	-	7,408
Grants (Note E)	1,303,339	-	1,303,339
Special events, net (Note F)	35,656	-	35,656
Investment income (Note C)	17,851	-	17,851
Miscellaneous income	9,718	-	9,718
	<u>3,154,797</u>	<u>-</u>	<u>3,154,797</u>
Net assets released from restrictions	<u>37,475</u>	<u>(37,475)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>3,192,272</u>	<u>(37,475)</u>	<u>3,154,797</u>
EXPENSES			
Program services	2,097,037	-	2,097,037
Management and general	222,657	-	222,657
Fundraising	232,073	-	232,073
TOTAL EXPENSES	<u>2,551,767</u>	<u>-</u>	<u>2,551,767</u>
INCREASE (DECREASE) IN NET ASSETS	640,505	(37,475)	603,030
NET ASSETS AT BEGINNING OF YEAR	<u>1,565,297</u>	<u>1,092,113</u>	<u>2,657,410</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,205,802</u>	<u>\$ 1,054,638</u>	<u>\$ 3,260,440</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUE AND SUPPORT			
Contributions	\$ 1,029,459	\$ -	\$ 1,029,459
In-kind donations	17,879	-	17,879
Grants (Note E)	1,216,557	-	1,216,557
Special events, net (Note F)	159,160	-	159,160
Investment income (Note C)	86,521	-	86,521
Miscellaneous income	18,990	-	18,990
	<hr/> 2,528,566	<hr/> -	<hr/> 2,528,566
Net assets released from restrictions	60,709	(60,709)	-
TOTAL REVENUE AND SUPPORT	<u>2,589,275</u>	<u>(60,709)</u>	<u>2,528,566</u>
EXPENSES			
Program services	1,763,668	-	1,763,668
Management and general	211,112	-	211,112
Fundraising	222,500	-	222,500
TOTAL EXPENSES	<u>2,197,280</u>	<u>-</u>	<u>2,197,280</u>
INCREASE (DECREASE) IN NET ASSETS	391,995	(60,709)	331,286
NET ASSETS AT BEGINNING OF YEAR	<u>1,173,302</u>	<u>1,152,822</u>	<u>2,326,124</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,565,297</u>	<u>\$ 1,092,113</u>	<u>\$ 2,657,410</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 603,030	\$ 331,286
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	13,515	15,982
Donated securities	(5,079)	(8,446)
Unrealized and realized loss on investments	50,271	1,993
(Increase)/decrease in assets:		
Grants receivables and promises to give	(57,358)	280,793
Prepaid expenses	15,001	(17,135)
(Decrease)/increase in liabilities:		
Accounts payable	21,979	(10,236)
Refundable advances	(70,000)	70,000
Accrued payroll and withholdings	<u>(36,401)</u>	<u>(3,748)</u>
Net cash provided by operations	<u>534,958</u>	<u>660,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(202,863)	(358,299)
Proceeds from sale of investments	363,587	281,977
Purchase of property and equipment	-	(10,448)
Net cash provided / (used) by investing activities	<u>160,724</u>	<u>(86,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	<u>332,245</u>	-
Net cash provided by financing activities	<u>332,245</u>	-
NET CHANGE IN CASH & CASH EQUIVALENTS	1,027,927	573,719
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	934,564	360,845
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,962,491</u>	<u>\$ 934,564</u>
Non-Cash Transactions		
Market value of donations of securities received	<u>\$ 5,079</u>	<u>\$ 8,446</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

	Program Services	Management and General	Fundraising	Total 2020
Salaries and wages	\$ 1,411,219	\$ 98,032	\$ 157,968	\$ 1,667,219
Employee benefits	178,043	15,199	23,884	217,126
Payroll taxes	110,447	9,428	14,816	134,691
Total payroll expenses	1,699,709	122,659	196,668	2,019,036
Specific assistance to individuals	18,314	-	-	18,314
Supplies	64,101	2,253	2,253	68,607
Contract services	92,231	34,119	-	126,350
Pass-through expense	68,750	-	-	68,750
Insurance	17,413	6,203	1,462	25,078
Equipment repair and maintenance	13,408	11,367	4,372	29,147
Occupancy - utilities and repairs	83,565	4,833	-	88,398
Postage and shipping	2,303	515	212	3,030
Printing and publications	595	595	14,225	15,415
Professional fees	-	34,500	-	34,500
Telephone	8,715	1,260	525	10,500
Travel	1,685	52	-	1,737
Bank charges	-	851	9,785	10,636
Equipment purchase/rental	6,661	1,364	-	8,025
Conferences and meetings	601	1,201	1,201	3,003
Other	6,147	209	4,260	10,616
Depreciation	12,839	676	-	13,515
Total expenses	2,097,037	222,657	234,963	2,554,657
Less expenses included with revenue on Statement of Activities:				
Other expenses	-	-	(2,890)	(2,890)
Total	-	-	(2,890)	(2,890)
Total expenses shown on the Statement of Activities	<u>\$2,097,037</u>	<u>\$ 222,657</u>	<u>\$ 232,073</u>	<u>\$2,551,767</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

	Program Services	Management and General	Fundraising	Total 2019
Salaries and wages	\$ 1,157,402	\$ 112,917	\$ 141,147	\$ 1,411,466
Employee benefits	182,726	17,827	22,284	222,837
Payroll taxes	<u>91,101</u>	<u>8,888</u>	<u>11,110</u>	<u>111,099</u>
 Total payroll expenses	 <u>1,431,229</u>	 <u>139,632</u>	 <u>174,541</u>	 <u>1,745,402</u>
Specific assistance to individuals	26,997	-	-	26,997
Supplies	70,997	3,383	3,383	77,763
Contract services	66,873	9,930	-	76,803
Pass-through expense	5,625	-	-	5,625
Insurance	21,619	4,767	1,527	27,913
Equipment repair and maintenance	8,349	6,952	2,563	17,864
Occupancy - utilities and repairs	82,129	4,687	-	86,816
Postage and shipping	2,291	512	211	3,014
Printing and publications	933	933	16,797	18,663
Professional fees	-	28,780	-	28,780
Telephone	8,634	1,248	521	10,403
Travel	3,275	113	-	3,388
Bank charges	-	1,090	12,527	13,617
Equipment purchase/rental	4,865	996	-	5,861
Conferences and meetings	2,998	5,997	5,997	14,992
Other	11,671	1,293	40,349	53,313
Depreciation	<u>15,183</u>	<u>799</u>	<u>-</u>	<u>15,982</u>
 Total expenses	 <u>\$ 1,763,668</u>	<u>\$ 211,112</u>	<u>\$ 258,416</u>	<u>\$ 2,233,196</u>
Less expenses included with revenue on Statement of Activities:				
Facilities expenses	-	-	(26,096)	(26,096)
Other expenses	<u>-</u>	<u>-</u>	<u>(9,820)</u>	<u>(9,820)</u>
Total	<u>-</u>	<u>-</u>	<u>(35,916)</u>	<u>(35,916)</u>
 Total expenses shown on the Statement of Activities	 <u>\$ 1,763,668</u>	<u>\$ 211,112</u>	<u>\$ 222,500</u>	<u>\$ 2,197,280</u>

**SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

Significant Accounting Policies

Basis of Presentation

The Shelter Association reports its information regarding financial position and activities in accordance with the guidance in Financial Account Standards Board Accounting Standards Codification (FASB ASC) Topic 958 "Not-for-Profit Entities." Accordingly, it uses two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Basis of Accounting

The Shelter Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Shelter Association considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio.

The Shelter Association keeps its funds at a bank in the Southeast Michigan area. Such deposits are insured up to \$250,000 per institution by FDIC. The Shelter Association's amount of funds in excess of \$250,000 for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Actual bank balance	\$ 1,976,004	\$ 995,256
FDIC Limit	(250,000)	(250,000)
Uninsured balance	<u>\$ 1,726,004</u>	<u>\$ 745,256</u>

Additionally, certificates of deposits included in investments for the years ended June 30, 2020 and 2019 of \$0 and \$154,680, respectively, are insured by the FDIC.

Investments

Investments are stated at fair value based on quoted prices in active markets. 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.

Accounts 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 will be collectible. No allowance was deemed necessary as of June 30, 2020 and 2019.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. All amounts are expected to be utilized in the next fiscal year.

Property and Equipment

The Shelter Association follows the practice of capitalizing all expenditures in excess of \$2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Furniture and equipment are stated at cost or fair market value of donated item at the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Shelter Association estimates the useful life of its assets between 5 and 10 years.

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. The donor restriction expires when a stipulated time restriction ends, or purpose restriction is accomplished. 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 restrictions 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 condition on which they depend are substantially met.

Donated Goods and services

The Shelter Association records the value of donated goods as contributions using estimated fair values at the date of receipt. The Shelter Association recognized donated goods of \$7,408 and \$17,879 for the years ended June 30, 2020 and 2019, respectively.

Contributions of donated services that create or enhance nonfinancial 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, 2020 and 2019 that met the criteria to be recorded.

Functional Allocation of Expense

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. The expenses that are allocated include Occupancy – utilities and maintenance, which is 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.

Income Tax Status

The Shelter Association is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Shelter Association files information returns in the U.S Federal and Michigan jurisdiction

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note A – Nature of Activities and Significant Accounting Policies (Continued)

New Accounting Pronouncement

The Financial Accounting Standards Board issued ASU No. 2016-01, Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, in January 2016. The new standard is effective for the Shelter Association as of July 1, 2019. This ASU requires (1) certain equity investments to be measured at fair value with changes in fair value to be recognized in net income. Equity investments that do not have readily determinable fair value may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issue; (2) a qualitative assessment of equity investments without readily determinable fair value to identify impairment; and (3) a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the statement of financial position or in these notes. The Shelter Association evaluated the effect of the provisions of ASU 2016-01 and determined no changes were required to financial statement presentation.

In June 2018, the FASB issued ASU 2018-08, Accounting Guidance for Contributions Received and Contributions Made. The new standard is effective for the Shelter Association as of July 1, 2019. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Amounts previously classified as deferred revenue on the statements of financial position have been reclassified as refundable advances.

In July 2020, the FASB issued ASU 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Various disclosures related to this standard are also required. The new standard is effective for annual periods beginning after June 15, 2021. Early implementation is permitted for all entities. The Shelter Association has not early adopted and is currently evaluating the effect the provisions of ASU 2020-07 will have on the financial statements.

Risks and Uncertainties

The Shelter Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Use of Estimates

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

Subsequent Events

Management has evaluated the effect of subsequent events through June 11, 2021, the date the financial statements were available for issue.

NOTE B - PROMISES TO GIVE

Promises to give are scheduled to be collected as follows:

Receivable in one year	\$ 21,650
Receivable in two to five years	5,750
	<u><u>\$ 27,400</u></u>

Items classified as current on the statement of activities are expected to be collected in one year. All recognized promises to give as of June 30, 2020 and 2019 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note B – Promises to Give (Continued)

Promises to give activity for the years ended June 30, 2020 and 2019 are detailed as follows:

	2020	2019
Balance beginning of the year	\$ 64,875	119,450
Add: new pledges	-	14,875
Less: collections	(37,475)	(69,450)
Balance end of the year	<u><u>\$ 27,400</u></u>	<u><u>\$ 64,875</u></u>

NOTE C - INVESTMENTS

The Shelter Association has adopted FASB ASC Topic 820, “Fair Value Measurements”, which defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Community has the ability to access.

Level 2 Inputs to the valuation methodology include

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Shelter Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

The Shelter Association's investments are categorized at Level 1 and are stated at fair value. The amounts are as follows:

SECURITY	FAIR MARKET VALUE
JUNE 30, 2020	
Cash	\$ 10,791
Money market funds	192,677
Bonds	82,297
Mutual funds	<u>1,105,255</u>
Total investments	<u><u>\$ 1,391,020</u></u>
JUNE 30, 2019	
Cash	\$ 72,766
Money Market funds	221,318
Certificates of deposit	154,680
Bonds	80,573
Mutual funds	<u>1,066,888</u>
Total investments	<u><u>\$ 1,596,225</u></u>

Investment income includes the following components for the year ended June 30:

	2020	2019
Investment income	\$ 75,395	\$ 94,894
Realized gain (loss) on sale of investments	(18,918)	17,679
Unrealized loss on investments	(31,353)	(19,671)
Investment fees	<u>(7,273)</u>	<u>(6,381)</u>
	<u><u>\$ 17,851</u></u>	<u><u>\$ 86,521</u></u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2020	2019
Building and improvements	\$ 118,123	\$ 118,123
Furniture and equipment	44,694	44,694
Software	<u>18,748</u>	<u>18,748</u>
	<u>181,565</u>	<u>181,565</u>
Less: accumulated depreciation	<u>(147,013)</u>	<u>(133,498)</u>
Property and equipment, net	<u><u>\$ 34,552</u></u>	<u><u>\$ 48,067</u></u>

Depreciation expense was \$13,515 and \$15,982 for the years ended June 30, 2020 and 2019, respectively.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE E - GRANTS

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

	<u>2020</u>	<u>2019</u>
Department of Veterans Affairs	\$ 103,055	\$ 133,920
DHHS Salvation Army grant	389,628	373,626
Michigan State Department of Housing Authority	52,365	40,158
OCED Ann Arbor Warming Center	72,000	72,000
OCED for Health Clinic	75,000	75,000
OCED for Residential Services	106,698	118,338
Other grants	28,630	21,886
Washtenaw County - general funds	312,413	247,063
Washtenaw County - CMH grant	80,010	51,026
Washtenaw County - warming center	<u>83,540</u>	<u>83,540</u>
	<u><u>\$ 1,303,339</u></u>	<u><u>\$ 1,216,557</u></u>

NOTE F - SPECIAL FUND-RAISING EVENTS

The Shelter Association hosts events during the year to raise funds for program services. A summary of fund-raising events during the years ended June 30, 2020 and 2019 are as follows:

	2020
Almost Home	
Golf outing	
Total contributed revenue	<u>\$ 38,546</u>
Direct expenses	<u>(2,890)</u>
Net revenue from events	<u><u>\$ 35,656</u></u>
	2019
Almost Home	
Golf outing	
Total contributed revenue	<u>\$ 195,076</u>
Direct expenses	<u>(35,916)</u>
Net revenue from events	<u><u>\$ 159,160</u></u>

NOTE G - 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.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE H - 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>2020</u>	<u>2019</u>
Time restrictions:		
Individual pledges receivable	\$ 37,475	\$ 54,575
Purpose restrictions:		
House More Serve More	- <u>6,134</u>	<u>6,134</u>
Total	<u>\$ 37,475</u>	<u>\$ 60,709</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Time restrictions:		
Individual pledges receivable	\$ 27,400	\$ 64,875
Endowment	<u>1,027,238</u>	<u>1,027,238</u>
Total	<u>\$ 1,054,638</u>	<u>\$ 1,092,113</u>

NOTE J - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2020 and 2019, whose purpose is to be held for emergency expenses.

NOTE K - 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 employee contributions 100% up to 3% of each participant's wages. The contributions to the plan amounted to \$20,693 and \$17,421 for the years ended June 30, 2020 and 2019, respectively.

NOTE L - 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 the funds. Management feels that any liability for reimbursement which could arise as the result of a grantor audit would not be material.

NOTE M - DONOR RESTRICTED ENDOWMENT

The Shelter Association's endowment consists entirely of donor- restricted endowment funds and is classified based on those donor- imposed restrictions.

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 donor-restricted endowment fund that is not classified in donor restricted net assets is classified as net assets without donor restrictions unless otherwise specified by the donor. In accordance with UPMIFA, The Shelter Association exercises the standard of ordinary business care and prudence when determining the amount of earnings

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M – Donor Restricted Endowment (Continued)

and gains to appropriate for expenditure 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 investments (4) price level trends; and (5) general economic conditions.

The endowment net asset composition by type of fund for the year ended June 30, 2020 and 2019 is as follows:

	2020	2019
Without donor restrictions	\$ 363,782	\$ 347,669
With donor restrictions	1,027,238	1,027,238
Total	<u>\$ 1,391,020</u>	<u>\$ 1,374,907</u>

The changes in endowment net assets for the year ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Beginning of year	\$ 347,669	\$ 1,027,238	\$ 1,374,907
Transfers in	7,524	-	7,524
Transfer out	(7,813)	-	(7,813)
Investment income	73,946	-	73,946
Investment fees	(7,273)	-	(7,273)
Realized losses	(18,918)	-	(18,918)
Unrealized losses	(31,353)	-	(31,353)
End of year	<u>\$ 363,782</u>	<u>\$ 1,027,238</u>	<u>\$ 1,391,020</u>

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Beginning of year	\$ 268,148	\$ 1,027,238	\$ 1,295,386
Transfers in	8,446	-	8,446
Transfer out	(8,420)	-	(8,420)
Investment income	87,868	-	87,868
Investment fees	(6,381)	-	(6,381)
Realized gains	17,679	-	17,679
Unrealized gains	(19,671)	-	(19,671)
End of year	<u>\$ 347,669</u>	<u>\$ 1,027,238</u>	<u>\$ 1,374,907</u>

Return 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 not to exceed total investment balances by 20 percent to 40 percent and 60 percent to 80 percent, respectively.

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 end

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M – Donor Restricted Endowment (Continued)

balances of the endowment account.

NOTE N - LIQUIDITY AND AVAILABILITY

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, 2020 and 2019, the level of liquidity and reserves were managed within the policy requirements.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,962,491	\$ 934,564
Investments	<u>363,782</u>	<u>569,698</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,326,273</u>	<u>\$ 1,504,262</u>

As described in note J, the board has voluntarily 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 O - REFUNDABLE ADVANCES

Grant monies were received by the Shelter Association in advance of the commencement date and have been classified as refundable advances. Refundable advances for the years ended June 30, 2020 and 2019 was \$0 and \$70,000, respectively.

NOTE P - PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Shelter Association received loan proceeds in the amount of \$332,245 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying business and non-profits in amounts of up to 2.5 times the businesses’ or non-profit’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the Shelter Association terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for six months after the end of the covered period. The Shelter Association intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Shelter Association is not granted forgiveness, the Shelter Association will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 17, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note P –Paycheck Protection Program Loan (Continued)

The Shelter Association has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. The Shelter Association is required to repay any remaining balance of \$332,245, plus interest accrued at 1% per annum in monthly payments beginning on October 17, 2021. If not forgiven, principal and interest payments will be required through the maturity date of on April 17, 2022.

Future payments are scheduled as follows:

YEAR ENDED	AMOUNT
June 30, 2021	\$ 155,991
June 30, 2022	176,254
	<hr/> <hr/> <hr/>
	\$ 332,245