
SHELTER ASSOCIATION OF WASHTENAW COUNTY

Financial Statements
as of and for the years ended
June 30, 2023 and 2022,
and Independent Auditors' Report

SHELTER ASSOCIATION OF WASHTENAW COUNTY

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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, 2023 and 2022, 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 Shelter Association of Washtenaw County as of June 30, 2023 and 2022, 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 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.

Respectfully,

WSR Certified Public Accountants, P.C.

WSR Certified Public Accountants, P.C.

February 26, 2024
Ann Arbor, Michigan

Shelter Association of Washtenaw County
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,469,776	\$ 2,451,613
Short term investments	1,767,014	-
Grants and other receivables	295,281	505,258
Promises to give, current portion (Note B)	-	1,000
Investments (Note M)	1,888,664	1,640,717
Prepaid expenses	<u>20,191</u>	<u>19,400</u>
Total current assets	<u>5,440,926</u>	<u>4,617,988</u>
Endowment fund (Note M)	1,027,238	1,027,238
Property and equipment, net (Note D)	<u>27,724</u>	<u>37,064</u>
TOTAL ASSETS	<u>\$ 6,495,888</u>	<u>\$ 5,682,290</u>
LIABILITIES		
Current liabilities		
Accounts payable & accrued expenses	\$ 35,397	\$ 88,644
Accrued payroll and withholdings	91,160	131,587
Refundable advances (Note P)	<u>285,331</u>	<u>86,320</u>
Total current liabilities	<u>411,888</u>	<u>306,551</u>
TOTAL LIABILITIES	<u>411,888</u>	<u>306,551</u>
NET ASSETS		
Without donor restrictions		
Undesignated	4,721,904	3,997,501
Board designated (Note J)	<u>250,000</u>	<u>250,000</u>
Total net assets without donor restrictions	<u>4,971,904</u>	<u>4,247,501</u>
With donor restrictions (Note I)	<u>1,112,096</u>	<u>1,128,238</u>
TOTAL NET ASSETS	<u>6,084,000</u>	<u>5,375,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,495,888</u>	<u>\$ 5,682,290</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,839,796	\$ -	\$ 1,839,796
In-kind donations	40,782	-	40,782
Grants (Note E)	1,870,824	-	1,870,824
Special events, net (Note F)	194,450	-	194,450
Investment income (loss) (Note C)	296,185	-	296,185
Payroll Protection Program loan forgiveness (Note P)	-	-	-
Miscellaneous income	14,961	-	14,961
	<u>4,256,998</u>	<u>-</u>	<u>4,256,998</u>
Net assets released from restrictions	<u>16,142</u>	<u>(16,142)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	4,273,140	(16,142)	4,256,998
EXPENSES			
Program services	2,948,447	-	2,948,447
Management and general	280,160	-	280,160
Fundraising	320,130	-	320,130
TOTAL EXPENSES	3,548,737	-	3,548,737
INCREASE (DECREASE) IN NET ASSETS	724,403	(16,142)	708,261
NET ASSETS AT BEGINNING OF YEAR	4,247,501	1,128,238	5,375,739
NET ASSETS AT END OF YEAR	\$ 4,971,904	\$ 1,112,096	\$ 6,084,000

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

	Without Donor Restrictions	With Donor Restrictions	Total 2022
REVENUE AND SUPPORT			
Contributions	\$ 1,764,217	\$ 100,000	\$ 1,864,217
In-kind donations	60,904	-	60,904
Grants (Note E)	1,983,933	-	1,983,933
Special events, net (Note F)	155,229	-	155,229
Investment income (loss) (Note C)	(310,344)	-	(310,344)
Payroll Protection Program loan forgiveness (Note P)	332,245	-	332,245
Miscellaneous income	20,876	-	20,876
	<u>4,007,060</u>	<u>100,000</u>	<u>4,107,060</u>
Net assets released from restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,008,060</u>	<u>99,000</u>	<u>4,107,060</u>
EXPENSES			
Program services	2,598,685	-	2,598,685
Management and general	252,435	-	252,435
Fundraising	314,458	-	314,458
TOTAL EXPENSES	<u>3,165,578</u>	<u>-</u>	<u>3,165,578</u>
INCREASE IN NET ASSETS	842,482	99,000	941,482
NET ASSETS AT BEGINNING OF YEAR	<u>3,405,019</u>	<u>1,029,238</u>	<u>4,434,257</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,247,501</u>	<u>\$ 1,128,238</u>	<u>\$ 5,375,739</u>

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 708,261	\$ 941,482
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	9,340	9,340
Donated securities	(46,388)	(23,511)
Unrealized and realized (gain) loss on investments	(162,924)	407,141
Forgiveness of Payroll Protection Program Loan	-	(332,245)
(Increase)/decrease in assets:		
Grants receivables and promises to give	210,976	4,990
Prepaid expenses	(791)	4,618
(Decrease)/increase in liabilities:		
Accounts payable and accrued expenses	(53,247)	5,284
Refundable advances	199,011	(113,030)
Accrued payroll and withholdings	<u>(40,427)</u>	<u>18,568</u>
Net cash provided by operations	<u>823,811</u>	<u>922,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,964,887)	(1,192,933)
Proceeds from sale of investments	<u>759,223</u>	<u>581,497</u>
Net cash used by investing activities	<u>(2,205,664)</u>	<u>(611,436)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	(1,381,853)	311,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,128,760	2,817,559
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note O)	\$ 1,746,907	\$ 3,128,760
Non-Cash Transactions		
Market value of donations of securities received	<u>\$ 46,388</u>	<u>\$ 23,511</u>
Donated supplies in Revenue and Expense	<u>\$ 40,782</u>	<u>\$ 60,904</u>
PPP loan and interest forgiven	<u>\$ -</u>	<u>\$ 332,245</u>

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

	Program Services	Management and General	Fundraising	Total 2023
Salaries and wages	\$ 1,817,033	\$ 99,322	\$ 215,791	\$ 2,132,146
Employee benefits	218,990	18,864	25,208	263,062
Payroll taxes	<u>144,265</u>	<u>4,250</u>	<u>16,985</u>	<u>165,500</u>
Total payroll expenses	2,180,288	122,436	257,984	2,560,708
Specific assistance to individuals	230,252	-	-	230,252
Supplies	143,521	2,757	1,719	147,997
Contract services	201,609	24,966	3,838	230,413
Pass-through expense	40,360	-	-	40,360
Insurance	17,005	21,525	2,126	40,656
Equipment repair and maintenance	7,558	20,278	5,286	33,122
Occupancy - utilities and repairs	89,276	7,017	33	96,326
Postage and shipping	210	842	3,158	4,210
Printing and publications	-	-	74,333	74,333
Professional fees	-	20,224	-	20,224
Telephone	4,524	2,263	2,263	9,050
Travel	4,164	2,560	121	6,845
Bank charges	-	1,819	8,218	10,037
Equipment purchase/rental	7,576	373	373	8,322
Conferences and meetings	946	16,716	3,191	20,853
Other	12,285	35,917	2,152	50,354
Depreciation	<u>8,873</u>	<u>467</u>	<u>-</u>	<u>9,340</u>
Total expenses	2,948,447	280,160	364,795	3,593,402
Less expenses included with revenue on Statement of Activities:				
Direct expenses of special events	-	-	(44,665)	(44,665)
Total	-	-	(44,665)	(44,665)
 Total expenses shown on the Statement of Activities	 <u>\$2,948,447</u>	 <u>\$ 280,160</u>	 <u>\$ 320,130</u>	 <u>\$3,548,737</u>

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

	Program Services	Management and General	Fundraising	Total 2022
Salaries and wages	\$ 1,529,145	\$ 127,855	\$ 226,023	\$ 1,883,023
Employee benefits	169,292	18,097	20,036	207,425
Payroll taxes	<u>120,253</u>	<u>10,053</u>	<u>17,774</u>	<u>148,080</u>
 Total payroll expenses	 <u>1,818,690</u>	 <u>156,005</u>	 <u>263,833</u>	 <u>2,238,528</u>
Specific assistance to individuals	279,560	-	-	279,560
Supplies	156,960	1,951	1,951	160,862
Contract services	51,471	14,251	-	65,722
Pass-through expense	113,825	-	-	113,825
Insurance	24,740	10,383	2,194	37,317
Equipment repair and maintenance	16,128	13,663	5,061	34,852
Occupancy - utilities and repairs	93,452	5,174	-	98,626
Postage and shipping	2,712	606	250	3,568
Printing and publications	-	-	65,335	65,335
Professional fees	-	41,765	-	41,765
Telephone	7,142	1,033	430	8,605
Travel	3,995	61	-	4,056
Bank charges	-	808	9,291	10,099
Equipment purchase/rental	8,389	1,718	-	10,107
Conferences and meetings	2,015	4,030	4,030	10,075
Other	10,733	520	732	11,985
Depreciation	<u>8,873</u>	<u>467</u>	<u>-</u>	<u>9,340</u>
 Total expenses	 <u>2,598,685</u>	<u>252,435</u>	<u>353,107</u>	<u>3,204,227</u>
Less expenses included with revenue on Statement of Activities:				
Direct expenses of special events	-	-	(38,649)	(38,649)
Total	<u>-</u>	<u>-</u>	<u>(38,649)</u>	<u>(38,649)</u>
 Total expenses shown on the Statement of Activities	 <u>\$2,598,685</u>	<u>\$ 252,435</u>	<u>\$ 314,458</u>	<u>\$3,165,578</u>

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 and in an FDIC-insured money market fund in deposits in various banks across the country. 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, 2023 and 2022 were \$107,987 and \$0, respectively. Cash and cash equivalents held in broker accounts are not insured and amounted to \$341,668 and \$677,147 at June 30, 2023 and 2022.

Short-Term Investments

Short-term investments represent investments in U.S. Government Treasury Bills and/or FDIC-insured certificates of deposits which mature in twelve months or less. These investments are held for short-term operating needs and are not considered part of the Shelter Association's Endowment fund.

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, 2023 and 2022.

Prepaid Expenses

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

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (continued)

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. Conditional contributions received before the conditions have been substantially met have been classified as refundable advances.

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 \$40,782 and \$60,904 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 that met the criteria to be recorded.

The Shelter receives securities as donations from time to time. These are valued at market value on the date of the donation. The Shelter normally sells these securities as soon as possible and uses the proceeds in operations. The value of securities received was \$46,388 and \$23,511 for June 30, 2023 and 2022.

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 repairs, 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 jurisdictions. Years open to examination are years ended in 2020-2023.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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

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 Statements 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 February 26, 2024, the date the financial statements were available for issue.

Reclassifications

Certain amounts in the previous year statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on results of operations.

NOTE B - PROMISES TO GIVE

Items classified as current on the statement of financial position are expected to be collected within one year. All recognized promises to give as of June 30, 2023 and 2022 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

Promises to give activity for the years ended June 30, 2023 and 2022 are detailed as follows:

	2023	2022
Balance beginning of the year	\$ 1,000	2,000
Less: collections and writeoffs	(1,000)	(1,000)
Balance end of the year	<u><u>\$ -</u></u>	<u><u>\$ 1,000</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 Shelter Association 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

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

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.

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
<u>JUNE 30, 2023</u>	
Cash	\$ 121,520
U.S Government T-Bills	1,767,014
Money market funds	155,611
Bonds	453,447
Mutual funds	2,107,499
Other assets	77,825
Total investments	<u><u>\$ 4,682,916</u></u>
<u>JUNE 30, 2022</u>	
Cash	\$ 208,547
Money market funds	468,601
Bonds	284,660
Mutual funds	1,574,637
Other assets	131,510
Total investments	<u><u>\$ 2,667,955</u></u>

Investment values described above include both donor and non-donor restricted funds, as well as short-term investment instruments.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

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

	2023	2022
Investment income	\$ 146,782	\$ 106,176
Realized (loss) gain on sale of investments	(7,104)	31,721
Unrealized gain (loss) on investments	170,028	(438,862)
Investment fees	(13,521)	(9,379)
	<u><u>\$ 296,185</u></u>	<u><u>\$ (310,344)</u></u>

NOTE D - PROPERTY AND EQUIPMENT

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

	2023	2022
Building and improvements	\$ 118,123	\$ 118,123
Furniture and equipment	44,694	44,694
Software	18,748	18,748
Vehicles	25,269	25,269
	<u><u>206,834</u></u>	<u><u>206,834</u></u>
Less: accumulated depreciation	(179,110)	(169,770)
Property and equipment, net	<u><u>\$ 27,724</u></u>	<u><u>\$ 37,064</u></u>

Depreciation expense was \$9,340 and \$9,340 for the years ended June 30, 2023 and 2022, respectively.

NOTE E - GRANTS

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

	2023	2022
The Bail Project	\$ 2,944	\$ 60,000
CDBG COVID Isolation Grant	-	95,247
CDC NIMRC RCC	-	146,400
CHRT Grants	104,849	69,478
Department of Veteran Affairs	130,703	139,173
DHHS Salvation Army grant	464,717	438,758
EFSP FEMA	19,198	69,410
Michigan State Housing Development Authority	144,026	177,589
Misc Recuperative Care Grant Revenue	-	90,000
OCED Ann Arbor Warming Center	72,000	72,000
OCED for Residential Services	250,000	117,418
OCED COVID-19 Grant	41,702	-
OCED Night Shelter	-	41,944
Housing Crisis Stabilization Program	57,296	44,670
Other grants	6,738	31,596
Washtenaw County - general funds	375,000	125,000
Washtenaw County - CMH grant	80,000	130,000
Washtenaw County - warming center	83,630	83,450
Ypsilanti Freighthouse Day Shelter	38,021	51,800
	<u><u>\$ 1,870,824</u></u>	<u><u>\$ 1,983,933</u></u>

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022 are as follows:

	Almost Home Golf outing	Hunger & Homelessness	Other	Total 2023
Total contributed revenue	\$ 220,562	\$ 11,250	\$ 7,303	\$ 239,115
Direct expenses	(40,909)	(602)	(3,154)	(44,665)
Net revenue from events	<u><u>\$ 179,653</u></u>	<u><u>\$ 10,648</u></u>	<u><u>\$ 4,149</u></u>	<u><u>\$ 194,450</u></u>

	Almost Home Golf outing	Hustle for Housing	Total 2022
Total contributed revenue	\$ 182,628	\$ 11,250	\$ 193,878
Direct expenses	(37,543)	(1,106)	(38,649)
Net revenue from events	<u><u>\$ 145,085</u></u>	<u><u>\$ 10,144</u></u>	<u><u>\$ 155,229</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.

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,

	2023	2022
Time restrictions:		
Individual pledges receivable	\$ 1,000	\$ 1,000
Purpose restrictions:		
Shelter Diversion	<u>15,142</u>	-
Total	<u><u>\$ 16,142</u></u>	<u><u>\$ 1,000</u></u>

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose Restrictions		
Shelter Diversion	\$ 84,858	\$ 100,000
Total Restrictions for Purpose	<u>84,858</u>	<u>100,000</u>
Time restrictions:		
Individual pledges receivable	-	1,000
Purpose restrictions:		
Endowment	<u>1,027,238</u>	<u>1,027,238</u>
Total Restrictions for Time	<u>1,027,238</u>	<u>1,028,238</u>
Total Donor Restricted Assets	<u><u>\$ 1,112,096</u></u>	<u><u>\$ 1,128,238</u></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, 2023 and 2022, 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 \$34,176 and \$28,029 for the years ended June 30, 2023 and 2022, 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 & BOARD RESTRICTED ENDOWMENT FUND

The Shelter Association's endowment consists of both contributions with donor restrictions and board restricted quasi endowment funds.

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

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M - Donor Restricted & Board Restricted Endowment Fund (Continued)

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 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, 2023 and 2022 is as follows:

	2023	2022
Without donor restrictions	\$ 1,888,664	\$ 1,640,717
With donor restrictions	1,027,238	1,027,238
Total	\$ 2,915,902	\$ 2,667,955

The changes in endowment net assets for the year ended June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total 2023
Beginning of year	\$ 1,640,717	\$ 1,027,238	\$ 2,667,955
Transfers in	48,087	-	48,087
Transfer out	(48,087)	-	(48,087)
Investment income	95,919	-	95,919
Investment fees	(13,521)	-	(13,521)
Realized gain (loss)	(7,104)	-	(7,104)
Unrealized gain (loss)	172,653	-	172,653
End of year	\$ 1,888,664	\$ 1,027,238	\$ 2,915,902

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Beginning of year	\$ 752,649	\$ 1,027,238	\$ 1,779,887
Transfers in	1,223,511	-	1,223,511
Transfer out	(23,510)	-	(23,510)
Investment income	104,587	-	104,587
Investment fees	(9,379)	-	(9,379)
Realized gain (loss)	31,721	-	31,721
Unrealized gain (loss)	(438,862)	-	(438,862)
End of year	\$ 1,640,717	\$ 1,027,238	\$ 2,667,955

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.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M - Donor Restricted & Board Restricted Endowment Fund (Continued)

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 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,469,776	\$ 2,451,613
Short-term investments	1,767,014	-
Investments	<u>1,888,664</u>	<u>1,640,717</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,125,454</u>	<u>\$ 4,092,330</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 - CASH & CASH EQUIVALENTS RECONCILIATION TO STATEMENT OF CASH FLOWS

The funds included in the Endowment fund and Investment balances on the Statements of Financial position (SFP) are held by multiple custodians in investment accounts. These investment accounts contain cash and cash equivalents that are held for the purpose of fund management by the custodians for future investment opportunities and are not included in the cash & cash equivalents on the SFP. The following table provides a reconciliation of the cash & cash equivalents from the cash & cash equivalents on the SFP and the investment and endowment fund cash and cash equivalents held in the investment accounts that total the cash and cash equivalents found in the statements of cash flows (SCF).

	<u>2023</u>	<u>2022</u>
Cash & cash equivalents	\$ 1,469,776	\$ 2,451,613
Cash & cash equivalents held in investment accounts	277,131	677,147
Total cash & cash equivalents on SCF	<u>\$ 1,746,907</u>	<u>\$ 3,128,760</u>

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE P - REFUNDABLE ADVANCES

Grants and contributions received by the Shelter Association for the future staffing and launch of a Mental Health Program have been classified as refundable advances, as the conditions for recognizing as revenue have not been met. Refundable advances for the years ended June 30, 2023 and 2022 was \$285,331 and \$86,320, respectively.

NOTE Q - 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) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

The Shelter Association recorded a note payable in 2021 of \$332,245. The PPP loan was forgiven as of August 3, 2021, in the amount of \$336,432 including principal and interest. The principal forgiveness of \$332,245 has been recorded as revenue in 2022.