
SHELTER ASSOCIATION OF WASHTENAW COUNTY

Financial Statements
as of and for the years ended
June 30, 2019 and 2018,
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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Shelter Association of Washtenaw County as of June 30, 2018 were audited by other auditors whose report dated on January 22, 2019, expressed an unmodified opinion on those statements.

Emphasis of Matter – Adoption of Accounting Standard

As discussed in Note A to the financial statements, in 2019, the Shelter Association of Washtenaw County adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Respectfully,

WSR Certified Public Accountants, P.C.

WSR Certified Public Accountants, P.C.

June 29, 2020
Ann Arbor, Michigan

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 934,564	\$ 360,845
Grants and other receivables	174,677	400,895
Promises to give, current portion (Note B)	41,875	69,950
Investments (Note C)	569,698	486,923
Prepaid expenses	<u>26,432</u>	<u>9,297</u>
Total current assets	<u>1,747,246</u>	<u>1,327,910</u>
Promises to give, net of current portion (Note B)	23,000	49,500
Endowment fund (Note M)	1,027,238	1,027,238
Property and equipment, net (Note D)	<u>48,067</u>	<u>53,601</u>
TOTAL ASSETS	<u>\$ 2,845,551</u>	<u>\$ 2,458,249</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,101	\$ 12,337
Accrued payroll and withholdings	116,040	119,788
Deferred revenue (Note O)	<u>70,000</u>	-
Total current liabilities	<u>188,141</u>	<u>132,125</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,315,297	923,302
Board designated (Note J)	<u>250,000</u>	<u>250,000</u>
Total net assets without donor restrictions	<u>1,565,297</u>	<u>1,173,302</u>
With donor restrictions (Note I)	<u>1,092,113</u>	<u>1,152,822</u>
TOTAL NET ASSETS	<u>2,657,410</u>	<u>2,326,124</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,845,551</u>	<u>\$ 2,458,249</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)	86,637	-	86,637
Miscellaneous income	18,874	-	18,874
	<u>2,528,566</u>	<u>-</u>	<u>2,528,566</u>
Net assets released from restrictions	<u>60,709</u>	<u>(60,709)</u>	<u>-</u>
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	<u>222,500</u>	<u>-</u>	<u>222,500</u>
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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	Without Donor Restrictions	With Donor Restrictions	Total 2018
REVENUE AND SUPPORT			
Contributions	\$ 920,907	\$ 13,500	\$ 934,407
In-kind donations	51,480	-	51,480
Grants (Note E)	1,220,912	-	1,220,912
Special events, net (Note F)	99,968	-	99,968
Investment income (Note C)	95,181	-	95,181
Miscellaneous income	32,467	-	32,467
	<u>2,420,915</u>	<u>13,500</u>	<u>2,434,415</u>
Net assets released from restrictions	<u>90,743</u>	<u>(90,743)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>2,511,658</u>	<u>(77,243)</u>	<u>2,434,415</u>
EXPENSES			
Program services	1,873,349	-	1,873,349
Management and general	234,252	-	234,252
Fundraising	<u>209,953</u>	<u>-</u>	<u>209,953</u>
TOTAL EXPENSES	<u>2,317,554</u>	<u>-</u>	<u>2,317,554</u>
INCREASE (DECREASE) IN NET ASSETS	194,104	(77,243)	116,861
NET ASSETS AT BEGINNING OF YEAR	<u>979,198</u>	<u>1,230,065</u>	<u>2,209,263</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,173,302</u>	<u>\$ 1,152,822</u>	<u>\$ 2,326,124</u>

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 331,286	\$ 116,861
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	15,982	15,284
Donated securities	(8,446)	(23,008)
Unrealized and realized loss (gain) on investments	1,993	(28,335)
(Increase)/decrease in assets:		
Grants receivables and promises to give	280,793	(151,573)
Prepaid expenses	(17,135)	(1,984)
(Decrease)/increase in liabilities:		
Accounts payable	(10,236)	1,483
Deferred revenue	70,000	-
Accrued payroll and withholdings	<u>(3,748)</u>	<u>(15,745)</u>
Net cash provided / (used) by operations	<u>660,489</u>	<u>(87,017)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(358,299)	(153,691)
Proceeds from sale of investments	281,977	109,729
Purchase of property and equipment	<u>(10,448)</u>	<u>(27,940)</u>
Net cash used by investing activities	<u>(86,770)</u>	<u>(71,902)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	573,719	(158,919)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>360,845</u>	<u>519,764</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 934,564</u>	<u>\$ 360,845</u>
Non-Cash Transactions		
Market value of donations of securities received	<u>\$ 8,446</u>	<u>\$ 23,008</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
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

	Program Services	Management and General	Fundraising	Total 2018
Salaries and wages	\$ 1,202,158	\$ 129,037	\$ 144,403	\$ 1,475,598
Employee benefits	154,543	34,021	14,251	202,815
Payroll taxes	102,250	8,870	12,073	123,193
 Total payroll expenses	 1,458,951	 171,928	 170,727	 1,801,606
Specific assistance to individuals	33,139	-	-	33,139
Supplies	111,205	747	747	112,699
Contract services	75,972	16,151	-	92,123
Pass-through expense	45,000	-	-	45,000
Insurance	23,457	7,332	1,808	32,597
Equipment repair and maintenance	8,231	6,465	2,344	17,040
Occupancy - utilities and repairs	75,034	4,272	-	79,306
Postage and shipping	2,173	445	-	2,618
Printing and publications	994	994	20,413	22,401
Professional fees	-	17,825	-	17,825
Telephone	7,273	1,052	438	8,763
Travel	5,990	275	-	6,265
Bank charges	-	729	8,382	9,111
Equipment purchase/rental	4,426	907	-	5,333
Conferences and meetings	2,182	4,366	4,366	10,914
Other	4,802	-	26,980	31,782
Depreciation	14,520	764	-	15,284
 Total expenses	 \$ 1,873,349	 \$ 234,252	 \$ 236,205	 \$ 2,343,806
Less expenses included with revenue on Statement of Activities:				
Facilities expenses	-	-	(26,252)	(26,252)
Total	-	-	(26,252)	(26,252)
 Total expenses shown on the Statement of Activities	 \$ 1,873,349	 \$ 234,252	 \$ 209,953	 \$ 2,317,554

**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, 2019 and 2018 were as follows:

	2019	2018
Actual bank balance	\$ 995,256	\$ 361,260
FDIC Limit	(250,000)	(250,000)
Uninsured balance	<u>\$ 745,256</u>	<u>\$ 111,260</u>

Additionally, certificates of deposits included in investments for the years ended June 30, 2019 and 2018 of \$154,680 and \$159,791 are also 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 in the previous years were netted against investment income. Investment fees are now stated separately, and previous year's amount have been reflected for this change. 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, 2019 and 2018.

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.

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 \$17,879 and \$51,480 for the years ended June 30, 2019 and 2018

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, 2019 and 2018 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.

Reclassification

Certain amounts in the statement of activities and statement of functional expenses from the prior year have been reclassified to conform to the current year presentation. The endowment fund was reclassified from current assets. This reclassification has no effect on the reported results of operations or net assets.

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

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Shelter Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 29, 2020, the date the financial statements were available for issue. The Shelter is still evaluating the financial impact of the economic uncertainties resulting from the COVID-19 pandemic. The financial impact and duration cannot be reasonably estimated at this time.

NOTE B - PROMISES TO GIVE

Promises to give are schedule to be collected as follows:

2020	\$ 41,875
2021	23,000
	<u><u>\$ 64,875</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, 2019 and 2018 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, 2019 and 2018 are detailed as follows:

	2019	2018
Balance beginning of the year	\$ 119,450	193,600
Add: new pledges	14,875	115,000
Less: collections	(69,450)	(189,150)
Balance end of the year	<u><u>\$ 64,875</u></u>	<u><u>\$ 119,450</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 activities 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:

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

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.

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, 2019</u>	
Cash	\$ 72,766
Money market funds	\$ 221,318
Certificates of deposit	154,680
Bonds	80,573
Mutual funds	1,066,888
Total investments	<u><u>\$ 1,596,225</u></u>
<u>JUNE 30, 2018</u>	
Cash	\$ 67,413
Money Market funds	78,694
Certificates of deposit	159,791
Bonds	166,695
Mutual funds	1,041,568
Total investments	<u><u>\$ 1,514,161</u></u>

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:

	2019	2018
Investment income	\$ 94,894	\$ 72,381
Realized gain on sale of investments	17,679	1,604
Unrealized gain (loss) on investments	(19,671)	28,335
Investment fees	(6,381)	(7,139)
	<u>\$ 86,521</u>	<u>\$ 95,181</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	2019	2018
Building and improvements	\$ 118,123	\$ 118,123
Furniture and equipment	44,694	34,246
Software	18,748	18,748
	<u>181,565</u>	<u>171,117</u>
Less: accumulated depreciation	(133,498)	(117,516)
Property and equipment, net	<u>\$ 48,067</u>	<u>\$ 53,601</u>

Depreciation expense was \$15,982 and \$15,284 for the years ended June 30, 2019 and 2018, respectively.

NOTE E - GRANTS

The following represents details of grant revenue for the fiscal year ended June 30, 2019 and 2018:

	2019	2018
Department of Veterans Affairs	133,920	112,863
DHHS Salvation Army grant	373,626	371,710
Michigan State Department of Housing Authority	40,158	36,769
OCED Ann Arbor Warming Center	72,000	72,000
OCED for Health Clinic	75,000	45,000
OCED for Residential Services	118,338	160,000
OCED for SAWC Clinic	-	50,000
Other grants	21,886	-
Washtenaw County - general funds	247,063	200,000
Washtenaw County - PATH	\$ 51,026	\$ 89,030
Washtenaw County - warming center	<u>83,540</u>	<u>83,540</u>
	<u>\$ 1,216,557</u>	<u>\$ 1,220,912</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, 2019 and 2018 are as follows:

	Almost Home	Comedy Event	Total
	Golf outing		2019
Total contributed revenue	\$ 195,075	\$ -	\$ 195,075
Direct expenses	(35,916)	-	(35,916)
Net revenue from events	<u>\$ 159,160</u>	<u>\$ -</u>	<u>\$ 159,160</u>

	Almost Home	Comedy Event	Total
	Golf outing		2018
Total contributed revenue	\$ 121,777	\$ 4,443	\$ 126,220
Direct expenses	(25,285)	(967)	(26,252)
Net revenue from events	<u>\$ 96,492</u>	<u>\$ 3,476</u>	<u>\$ 99,968</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 specific by donors as follows for the years ended June 30,

	2019	2018
Time restrictions:		
Individual pledges receivable	\$ 54,575	\$ 77,150
Purpose restrictions:		
House More Serve More	<u>6,134</u>	<u>13,593</u>
Total	<u><u>\$ 60,709</u></u>	<u><u>\$ 90,743</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,

	<u>2019</u>	<u>2018</u>
Time restrictions:		
Individual pledges receivable	\$ 64,875	\$ 119,450
Purpose restrictions:		
House More Serve More	-	6,134
Endowment	1,027,238	1,027,238
Total	<u>\$ 1,092,113</u>	<u>\$ 1,152,822</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, 2019 and 2018, 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 \$17,421 and \$23,326 for the years ended June 30, 2019 and 2018, 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 and gains to appropriate for expenditure of 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.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M – Donor Restricted Endowment (Continued)

The endowment net asset composition by type of fund for the year ended June 30, 2019 and 2018 is as follows:

	2019	2018
Without donor restrictions	\$ 347,669	\$ 268,148
With donor restrictions	1,027,238	1,027,238
Total	<u>\$ 1,374,907</u>	<u>\$ 1,295,386</u>

The changes in endowment net assets for the year ended June 30, 2019 and 2018 are as follows:

	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 losses	(19,671)	-	(19,671)
End of year	<u>\$ 347,669</u>	<u>\$ 1,027,238</u>	<u>\$ 1,374,907</u>
	Without Donor Restrictions	With Donor Restrictions	Total 2018
Beginning of year	\$ 173,947	\$ 1,027,238	\$ 1,201,185
Transfers in	23,008	-	23,008
Transfer out	(22,225)	-	(22,225)
Investment income	69,627	-	69,627
Investment fees	(6,935)	-	(6,935)
Realized gains	2,387	-	2,387
Unrealized gains	28,339	-	28,339
End of year	<u>\$ 268,148</u>	<u>\$ 1,027,238</u>	<u>\$ 1,295,386</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 balances of the endowment account

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, the level of liquidity and reserves was 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:

	<u>2019</u>
Cash and cash equivalents	\$ 934,564
Investments	<u>569,698</u>
Financial assets available to meet cash needs for general expenditures within one year	<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 - DEFERRED REVENUE

Grant monies were received by the Shelter Association in advance of the commencement date and has been classified as deferred revenue. Deferred revenue for the years ended June 30, 2019 and 2018 was \$70,000 and \$0, respectively.