
SHELTER ASSOCIATION OF WASHTENAW COUNTY

Financial Statements
as of and for the years ended
June 30, 2021 and 2020,
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, 2021 and 2020 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, 2021 and 2020 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.

December 6, 2021
Ann Arbor, Michigan

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

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,800,673	\$ 1,962,491
Grants and other receivables	509,249	269,510
Promises to give, current portion (Note B)	2,000	21,650
Investments (Note M)	752,649	363,782
Prepaid expenses	<u>24,018</u>	<u>11,431</u>
Total current assets	<u>4,088,589</u>	<u>2,628,864</u>
Promises to give, net of current portion (Note B)	-	5,750
Endowment fund (Note M)	1,027,238	1,027,238
Property and equipment, net (Note D)	<u>46,404</u>	<u>34,552</u>
TOTAL ASSETS	<u>\$ 5,162,231</u>	<u>\$ 3,696,404</u>
LIABILITIES		
Current liabilities		
Accounts payable & accrued expenses	\$ 83,360	\$ 24,080
Accrued payroll and withholdings	113,019	79,639
Current portion of long term debt (Note P)	332,245	155,991
Refundable advances (Note O)	<u>199,350</u>	-
Total current liabilities	<u>727,974</u>	<u>259,710</u>
Long term liabilities		
PPP loan, net of current portion (Note P)	-	176,254
Total long term liabilities	<u>-</u>	<u>176,254</u>
TOTAL LIABILITIES	<u>727,974</u>	<u>435,964</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,155,019	1,955,802
Board designated (Note J)	<u>250,000</u>	<u>250,000</u>
Total net assets without donor restrictions	<u>3,405,019</u>	<u>2,205,802</u>
With donor restrictions (Note I)	<u>1,029,238</u>	<u>1,054,638</u>
TOTAL NET ASSETS	<u>4,434,257</u>	<u>3,260,440</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,162,231</u>	<u>\$ 3,696,404</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total 2021
REVENUE AND SUPPORT			
Contributions	\$ 1,538,244	\$ -	\$ 1,538,244
In-kind donations	41,304	-	41,304
Grants (Note E)	2,359,720	-	2,359,720
Special events, net (Note F)	117,276	-	117,276
Investment income (Note C)	390,705	-	390,705
Miscellaneous income	16,835	-	16,835
	<u>4,464,084</u>	<u>-</u>	<u>4,464,084</u>
Net assets released from restrictions	25,400	(25,400)	-
TOTAL REVENUE AND SUPPORT	<u>4,489,484</u>	<u>(25,400)</u>	<u>4,464,084</u>
EXPENSES			
Program services	2,742,876	-	2,742,876
Management and general	298,656	-	298,656
Fundraising	248,735	-	248,735
TOTAL EXPENSES	<u>3,290,267</u>	<u>-</u>	<u>3,290,267</u>
INCREASE (DECREASE) IN NET ASSETS	1,199,217	(25,400)	1,173,817
NET ASSETS AT BEGINNING OF YEAR	<u>2,205,802</u>	<u>1,054,638</u>	<u>3,260,440</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,405,019</u>	<u>\$ 1,029,238</u>	<u>\$ 4,434,257</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	37,475	(37,475)	-
TOTAL REVENUE AND SUPPORT	3,192,272	(37,475)	3,154,797
EXPENSES			
Program services	2,097,037	-	2,097,037
Management and general	222,657	-	222,657
Fundraising	232,073	-	232,073
TOTAL EXPENSES	2,551,767	-	2,551,767
INCREASE (DECREASE) IN NET ASSETS	640,505	(37,475)	603,030
NET ASSETS AT BEGINNING OF YEAR	1,565,297	1,092,113	2,657,410
NET ASSETS AT END OF YEAR	\$ 2,205,802	\$ 1,054,638	\$ 3,260,440

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

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,173,817	\$ 603,030
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	13,417	13,515
Donated securities	24,010	(5,079)
Unrealized and realized (gain) loss on investments	(329,537)	50,271
(Increase)/decrease in assets:		
Grants receivables and promises to give	(214,339)	(57,358)
Prepaid expenses	(12,587)	15,001
(Decrease)/increase in liabilities:		
Accounts payable and accrued expenses	59,280	21,979
Refundable advances	199,350	(70,000)
Accrued payroll and withholdings	<u>33,380</u>	<u>(36,401)</u>
Net cash provided by operations	<u>946,791</u>	<u>534,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(857,755)	(202,863)
Proceeds from sale of investments	774,415	363,587
Purchase of property and equipment	<u>(25,269)</u>	-
Net cash provided / (used) by investing activities	<u>(108,609)</u>	<u>160,724</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	838,182	1,027,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,962,491	934,564
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,800,673</u>	<u>\$ 1,962,491</u>
Non-Cash Transactions		
Market value of donations of securities received	<u>\$ 24,010</u>	<u>\$ 5,079</u>

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

	Program Services	Management and General	Fundraising	Total 2021
Salaries and wages	\$ 1,612,519	\$ 133,789	\$ 164,561	\$ 1,910,869
Employee benefits	163,803	15,615	21,777	201,195
Payroll taxes	123,014	11,374	15,265	149,653
Total payroll expenses	1,899,336	160,778	201,603	2,261,717
Specific assistance to individuals	346,585	-	-	346,585
Supplies	132,041	1,925	1,925	135,891
Contract services	151,600	78,539	-	230,139
Pass-through expense	34,200	-	-	34,200
Insurance	28,760	11,012	1,791	41,563
Equipment repair and maintenance	11,556	9,745	3,606	24,907
Occupancy - utilities and repairs	89,366	5,388	-	94,754
Postage and shipping	1,634	366	151	2,151
Printing and publications	1,202	1,202	29,059	31,463
Professional fees	-	20,010	-	20,010
Telephone	8,068	1,166	486	9,720
Travel	5,501	86	-	5,587
Bank charges	-	752	8,654	9,406
Equipment purchase/rental	4,052	830	-	4,882
Conferences and meetings	432	864	863	2,159
Other	15,797	5,322	28,293	49,412
Depreciation	12,746	671	-	13,417
Total expenses	2,742,876	298,656	276,431	3,317,963
Less expenses included with revenue on Statement of Activities:				
Other expenses	-	-	(27,696)	(27,696)
Total	-	-	(27,696)	(27,696)
Total expenses shown on the Statement of Activities	\$2,742,876	\$ 298,656	\$ 248,735	\$3,290,267

**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	<u>110,447</u>	<u>9,428</u>	<u>14,816</u>	<u>134,691</u>
 Total payroll expenses	 <u>1,699,709</u>	 <u>122,659</u>	 <u>196,668</u>	 <u>2,019,036</u>
 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	<u>12,839</u>	<u>676</u>	<u>-</u>	<u>13,515</u>
 Total expenses	 <u>2,097,037</u>	<u>222,657</u>	<u>234,963</u>	<u>2,554,657</u>
 Less expenses included with revenue on Statement of Activities:				
Other expenses	-	-	(2,890)	(2,890)
Total	<u>-</u>	<u>-</u>	<u>(2,890)</u>	<u>(2,890)</u>
 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>

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, 2021 and 2020 were \$23,102 and \$1,726,004, respectively.

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, 2021 and 2020.

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.

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

Note A – Summary of Significant Accounting Policies (continued)

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 \$41,304 and \$7,408 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 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 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 jurisdiction

New Accounting Pronouncement

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 Statements of Financial Position.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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

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 December 6, 2021, the date the financial statements were available for issue. As disclosed in Note P, the PPP loan received in April 2020 for \$332,245, was forgiven in August 2021.

NOTE B - PROMISES TO GIVE

Promises to give are scheduled to be collected as follows:

Receivable in one year	<u>\$ 2,000</u>
	<u><u>\$ 2,000</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, 2021 and 2020 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, 2021 and 2020 are detailed as follows:

	2021	2020
Balance beginning of the year	\$ 27,400	64,875
Less: collections and writeoffs	(25,400)	(37,475)
Balance end of the year	<u>\$ 2,000</u>	<u>\$ 27,400</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:

<i>Level 1</i>	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.
<i>Level 2</i>	Inputs to the valuation methodology include <ul style="list-style-type: none">• 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.	
<i>Level 3</i>	Inputs to the valuation methodology are unobservable and significant to the fair value measurement

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

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
JUNE 30, 2021	
Cash	\$ 4,997
Money market funds	11,889
Bonds	248,172
Mutual funds	1,514,829
Total investments	<u><u>\$ 1,779,887</u></u>
JUNE 30, 2020	
Cash	\$ 10,791
Money market funds	192,677
Bonds	82,297
Mutual funds	1,105,255
Total investments	<u><u>\$ 1,391,020</u></u>

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

	2021	2020
Investment income	\$ 69,294	\$ 75,395
Realized gain (loss) on sale of investments	126,833	(18,918)
Unrealized gain (loss) on investments	202,704	(31,353)
Investment fees	<u>(8,126)</u>	<u>(7,273)</u>
	<u><u>\$ 390,705</u></u>	<u><u>\$ 17,851</u></u>

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

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

	2021	2020
Building and improvements	\$ 118,123	\$ 118,123
Furniture and equipment	44,694	44,694
Software	18,748	18,748
Vehicles	25,269	-
	206,834	181,565
Less: accumulated depreciation	(160,430)	(147,013)
Property and equipment, net	\$ 46,404	\$ 34,552

Depreciation expense was \$13,417 and \$13,515 for the years ended June 30, 2021 and 2020, respectively.

NOTE E - GRANTS

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

	2021	2020
City of Ann Arbor COVID grant	\$ 88,979	\$ -
CHRT Grants	79,358	-
Department of Veteran Affairs	125,554	103,055
DHHS Salvation Army grant	652,753	389,628
Michigan State Department of Housing Authority	363,888	52,365
OCED Ann Arbor Warming Center	72,000	72,000
OCED for Health Clinic	70,677	75,000
OCED for Residential Services	100,547	106,698
OCED COVID-19 Grant	293,593	-
Other grants	96,183	28,630
Washtenaw County - general funds	250,000	312,413
Washtenaw County - CMH grant	82,648	80,010
Washtenaw County - warming center	83,540	83,540
	\$ 2,359,720	\$ 1,303,339

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, 2021 and 2020 are as follows:

	Almost Home Golf outing	Hustle for Housing	Total 2021
Total contributed revenue	\$ 132,191	\$ 12,781	\$ 144,972
Direct expenses	(27,621)	(75)	(27,696)
Net revenue from events	\$ 104,570	\$ 12,706	\$ 117,276

	Almost Home Golf outing	Hustle for Housing	Total 2020
Total contributed revenue	\$ 38,547	\$ -	\$ 38,547
Direct expenses	(2,890)	-	(2,890)
Net revenue from events	\$ 35,657	\$ -	\$ 35,656

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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 commence 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,

	<u>2021</u>	<u>2020</u>
Time restrictions:		
Individual pledges receivable	\$ 25,400	\$ 37,475
Total	<u>\$ 25,400</u>	<u>\$ 37,475</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Time restrictions:		
Individual pledges receivable	\$ 2,000	\$ 27,400
Endowment	<u>1,027,238</u>	<u>1,027,238</u>
Total	<u>\$ 1,029,238</u>	<u>\$ 1,054,638</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, 2021 and 2020, 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 \$21,515 and \$20,693 for the years ended June 30, 2021 and 2020, 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.

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

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 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, 2021 and 2020 is as follows:

	2021	2020
Without donor restrictions	\$ 752,649	\$ 363,782
With donor restrictions	<u>1,027,238</u>	<u>1,027,238</u>
Total	<u>\$ 1,779,887</u>	<u>\$ 1,391,020</u>

The changes in endowment net assets for the year ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Beginning of year	\$ 363,782	\$ 1,027,238	\$ 1,391,020
Transfers in	23,608	-	23,608
Transfer out	(24,011)	-	(24,011)
Investment income	67,859	-	67,859
Investment fees	(8,126)	-	(8,126)
Realized gains	126,833	-	126,833
Unrealized gains	202,704	-	202,704
End of year	<u>\$ 752,649</u>	<u>\$ 1,027,238</u>	<u>\$ 1,779,887</u>

	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>

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

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note M – Donor Restricted Endowment (Continued)

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.

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,800,673	\$ 1,962,491
Investments	<u>752,649</u>	<u>363,782</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,553,322</u>	<u>\$ 2,326,273</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, as the conditions for recognizing as grant revenue have not been met. Refundable advances for the years ended June 30, 2021 and 2020 was \$199,350 and \$0, 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 of 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

SHELTER ASSOCIATION OF WASHTENAW COUNTY
NOTES TO FINANCIAL STATEMENTS

Note P – Paycheck Protection Program Loan (Continued)

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.

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, 2022	\$ 332,245
	<u><u>\$ 332,245</u></u>

Refer to Footnote A, *Subsequent Events*, for forgiveness information.