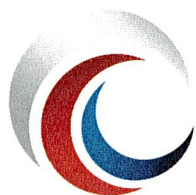


LAWRENCE COMMUNITY SHELTER, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 and 2022



Cummins,
Coffman &
Schmidtlein

Certified Public Accountants, P.A.

LAWRENCE COMMUNITY SHELTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lawrence Community Shelter, Inc.

Opinion

We have audited the accompanying financial statements of the Lawrence Community Shelter, Inc. (a nonprofit organization), which comprise the statements of financial position – modified cash basis as of December 31, 2023 and 2022 and the related statements of activities – modified cash basis, statement of functional expenses – modified cash basis, and statements of cash flows – modified cash basis 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 statements of financial position – modified cash basis of Lawrence Community Shelter, Inc., as of December 31, 2023 and 2022 and the related statements of activities – modified cash basis, statement of functional expenses – modified cash basis, and statements of cash flows – modified cash basis for the years then ended in accordance with modified cash basis of accounting as described in Note 1.

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 Lawrence Community Shelter, Inc. 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.



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 Lawrence Community Shelter'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 Lawrence Community Shelter'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.



Cummins, Coffman & Schmidlein, CPA's, P.A.

Topeka, Kansas

January 23, 2025

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
For the Years ended

Assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 30,271	\$ 183,216
Other current assets	433	619
Other receivables	1,120	-
Total current assets	<u>31,824</u>	<u>183,835</u>
Property and equipment		
Building	3,824,718	3,824,718
Career Development Center	69,663	69,663
Equipment	522,375	520,372
Total property and equipment	<u>4,416,756</u>	<u>4,414,753</u>
Less: accumulated depreciation	<u>(1,333,755)</u>	<u>(1,172,725)</u>
Net property and equipment	<u>3,083,001</u>	<u>3,242,028</u>
 Total assets	 <u>\$ 3,114,825</u>	 <u>\$ 3,425,863</u>

Liabilities and Net Assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current liabilities		
Payroll tax liabilities	\$ 3,922	\$ 4,183
Note payable – current portion	15,007	14,710
Total current liabilities	<u>18,929</u>	<u>18,893</u>
Long-term liabilities		
Note payable, net of current portion	350,327	365,332
Total long-term liabilities	<u>350,327</u>	<u>365,332</u>
 Total liabilities	 <u>369,256</u>	 <u>384,225</u>
Net assets		
Net assets without donor restrictions	2,745,569	3,041,638
Total net assets	<u>2,745,569</u>	<u>3,041,638</u>
 Total liabilities and net assets	 <u>\$ 3,114,825</u>	 <u>\$ 3,425,863</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
 STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
 For the Years ended

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenues and support		
Contributions	\$ 315,122	\$ 243,715
Grants	1,040,533	1,076,558
Events, fundraisers and other	6,028	28,249
Total support and revenue	<u>1,361,683</u>	<u>1,348,522</u>
Expenses		
Program services	1,542,550	1,575,871
Management and general	81,821	69,191
Fundraising	33,381	36,047
Total expenses	<u>1,657,752</u>	<u>1,681,109</u>
Revenues over (under) expenses from operations	(296,069)	(332,587)
Other revenues (expenses)		
Total other revenues (expenses)	<u>-</u>	<u>-</u>
Change in net assets	(296,069)	(332,587)
Net assets at beginning of year	<u>3,041,638</u>	<u>3,374,225</u>
Net assets at end of year	<u>\$ 2,745,569</u>	<u>\$ 3,041,638</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
 For the Year Ended December 31, 2023

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 921,957	\$ 61,366	\$ 4,000	\$ 987,323
Payroll taxes	79,231	4,909	1,981	86,121
Employee benefits	77,518	4,803	1,938	84,259
Direct assistance	21,091	-	-	21,091
Program expenses	10,517	-	-	10,517
Insurance	28,222	759	1,365	30,346
Vehicles	2,100	-	-	2,100
Staff development	5,450	152	322	5,924
Professional services	39,247	1,055	1,899	42,201
Utilities	123,126	3,310	5,958	132,394
Program supplies	30,714	-	-	30,714
Office supplies	5,983	161	289	6,433
Repairs and maintenance	39,778	1,069	1,925	42,772
Depreciation	149,758	4,026	7,246	161,030
Interest expense	6,851	184	332	7,367
Fundraising	-	-	5,617	5,617
Bank charges	-	-	460	460
Gain (Loss) on disposal	-	-	-	-
Miscellaneous	1,007	27	49	1,083
Total expenses	<u>\$ 1,542,550</u>	<u>\$ 81,821</u>	<u>\$ 33,381</u>	<u>\$ 1,657,752</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS (continued)
 For the Year Ended December 31, 2022

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 749,622	\$ 50,398	\$ 6,708	\$ 806,728
Payroll taxes	66,430	4,116	1,661	72,207
Employee benefits	50,180	3,109	1,254	54,543
Direct assistance	197,384	-	-	197,384
Program expenses	14,831	-	-	14,831
Insurance	46,321	1,245	2,241	49,807
Vehicles	32,520	-	-	32,520
Staff development	1,032	29	61	1,122
Professional services	29,102	782	1,409	31,293
Utilities	117,551	3,160	5,688	126,399
Program supplies	34,587	-	-	34,587
Office supplies	7,661	206	371	8,238
Repairs and maintenance	75,967	2,042	3,676	81,685
Depreciation	145,022	3,898	7,018	155,938
Interest expense	7,214	194	349	7,757
Fundraising	-	-	3,694	3,694
Bank charges	-	-	1,895	1,895
Gain (Loss) on disposal	-	-	-	-
Miscellaneous	447	12	22	481
Total expenses	\$ <u>1,575,871</u>	\$ <u>69,191</u>	\$ <u>36,047</u>	\$ <u>1,681,109</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
 STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
 For the Years ended

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (296,069)	\$ (332,587)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation	161,030	155,938
Increase (decrease) in:		
Accounts payable	-	-
Other assets	934	(619)
Payroll tax liabilities	(262)	(1,145)
Net cash provided from operating activities	<u>(134,367)</u>	<u>(178,413)</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(2,003)</u>	<u>(82,632)</u>
Net cash used in investing activities	<u>(2,003)</u>	<u>(82,632)</u>
Cash flows from financing activities		
Principal payments on notes payable	<u>(16,575)</u>	<u>(14,420)</u>
Net cash used in financing activities	<u>(16,575)</u>	<u>(14,420)</u>
Net increase (decrease) in cash and cash equivalents	<u>(152,945)</u>	<u>(275,465)</u>
Cash and cash equivalents at beginning of year	<u>183,216</u>	<u>458,681</u>
Cash and cash equivalents at end of year	\$ <u>30,271</u>	\$ <u>183,216</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>7,366</u>	\$ <u>7,757</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Organization

Lawrence Community Shelter, Inc. (the Organization), is a 501(c)(3) nonprofit organization which was incorporated under the laws of the State of Kansas. The Organization provides safe shelter and comprehensive support services and programs that provide a path to a positive future for people experiencing homelessness and people who are at risk of homelessness.

Basis of Accounting

The Organization maintains its accounting records on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from generally accepted accounting principles because the Organization has not recognized grants receivable or pledges receivable from third parties, accounts receivable, accounts payable and accrued salaries and compensated absences, as well as in-kind income and expenses. The effect of not recording these on the financial statements have not been determined. The Organization does recognize payroll tax liabilities and notes payable. The cash basis is additionally modified to include capitalization of property and equipment with a provision for depreciation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two-classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements on a modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could vary by a material amount from the estimates that were used.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

1. Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2023 and 2022.

Revenue Recognition

The Organization receives funding from local, county and federal agents and contracts. Grants received represent both exchange transactions and contributions. Certain grants received by the Organization include grantor imposed restrictions. The income from exchange transactions is recognized when received under the modified cash basis of accounting.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor imposed restrictions that are met in the current reporting period are reported as net assets without donor restrictions.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings	40 years
Furniture and office equipment	7-15 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities – Modified Cash Basis. Certain costs have been allocated among the programs and supporting services as depicted in the Statements of Functional Expenses – Modified Cash Basis. Expenses that can be identified with specific program and support are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the programs or support services. Direct benefits to donor costs have been included in fundraising costs on the Statements of Functional Expenses – Modified Cash Basis as the associated costs are not material in relation to the financial statements taken as a whole.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

1. Organization and Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's income tax returns are subject to review and examination by U.S. federal jurisdiction and the State of Kansas. The Organization is not aware of any activities that would jeopardize its tax-exempt status nor is it aware of any activities that are subject to unrelated business tax income or excise tax or other taxes.

Concentration of Credit Risk

The Organization maintains cash and investments in bank accounts which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The accounts are held by Peoples Bank that is well established and highly regarded. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances as of December 31, 2023 and 2022.

2. Property and Equipment, net

Property and equipment include the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 3,894,381	\$ 3,824,718
Furniture and office equipment	522,375	590,035
Total fixed assets	4,416,756	4,414,753
Less accumulated depreciation	1,333,755	1,172,725
Property and equipment, net	\$ 3,083,001	\$ 3,242,028

Depreciation expense for the years ended December 31, 2023 and 2022 was \$161,030 and \$155,938.

3. Liquidity and Funds Available

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditure within one year.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 30,271	\$ 183,216
Financial assets, at year-end	30,271	183,216
Less those unavailable for general expenditure within one year, due to:		
Purpose restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 30,271	\$ 183,216

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

4. Notes Payable

During 2013, the Organization entered into an agreement with the City of Lawrence (the City) for a long-term loan of \$500,000. The loan matures on December 31, 2028 and has a fixed interest rate of 2%. The proceeds of the loan were used for the completion of the building. The loan is collateralized by the building. Payments are made monthly to the City in the amount of \$1,848. The outstanding balance of the loan at December 31, 2023 and 2022 was \$365,334 and \$380,042.

Future principle maturities are summarized as follows:

2024	\$	15,007
2025		15,310
2026		15,619
2027		15,934
2028		16,256
Thereafter		287,208
	\$	<u>365,334</u>

5. Net Assets

As of December 31, 2023 and 2022 net assets consist of:

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Un-designated	\$ (337,432)	\$ (200,390)
Net investment in property and equipment	3,083,001	3,242,028
Total net assets without donor restrictions	<u>2,745,569</u>	<u>3,041,638</u>
Total net assets	\$ <u>2,745,569</u>	\$ <u>3,041,638</u>

6. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the Organization purchases commercial insurance. The amount of settlements did not exceed insurance coverage for the years ended December 31, 2023 and 2022.

7. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.