SHELTER PARTNERSHIP, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Auditor's Report

To the Board of Directors
Shelter Partnership, Inc.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Shelter Partnership, Inc. (a California nonprofit public benefit corporation) (the "Partnership"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 the Partnership'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 the Partnership'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.

Report on Summarized Comparative Information

We have previously audited the Partnership's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

April 10, 2022
Los Angeles, California

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	$ 590,995	$ 872,850
Certificates of deposit	250,000	250,000
Grants and pledges receivable	447,579	339,610
Investments, at fair value	30,210	19,011
Donated inventory	18,291,336	29,065,880
Prepaid expenses and other assets	49,689	63,521
Property and equipment, net	4,774,654	5,079,155
TOTAL ASSETS	$ 24,434,463	$ 35,690,027
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 20,483	$ 167,401
Accrued expenses and other liabilities	129,369	104,689
TOTAL LIABILITIES	149,852	272,090
NET ASSETS		
Without donor restrictions	3,127,219	3,024,442
With donor restrictions	21,157,392	32,393,495
TOTAL NET ASSETS	24,284,611	35,417,937
TOTAL LIABILITIES AND NET ASSETS	$ 24,434,463	$ 35,690,027

See Accompanying Notes to Financial Statements.

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
REVENUE AND SUPPORT				
Donated goods for distribution	$ -	$ 10,003,823	$ 10,003,823	$ 22,703,218
Foundation contributions	386,258	125,000	511,258	386,843
Individual and corporate contributions	282,450	31,567	314,017	506,136
Government grants	-	529,211	529,211	957,188
Special events, net of expense of $74,808 in 2022 and $0 in 2021, respectively	126,565	-	126,565	-
Consulting services	407,058	-	407,058	292,827
Investment income, net	430	-	430	6,527
Loan forgiveness - Paycheck Protection Program	-	-	-	212,662
Subtotal	1,202,761	10,689,601	11,892,362	25,065,401
Net assets released from restrictions	21,925,704	(21,925,704)	-	-
TOTAL REVENUES AND SUPPORT	23,128,465	(11,236,103)	11,892,362	25,065,401
FUNCTIONAL EXPENSES				
Program services				
Materials assistance	22,117,483	-	22,117,483	25,110,718
Public education and policy / technical assistance	366,546	-	366,546	386,315
Total program services	22,484,029	-	22,484,029	25,497,033
Supporting services				
General and administrative	314,895	-	314,895	112,770
Fundraising	226,764	-	226,764	344,819
Total supporting services	541,659	-	541,659	457,589
TOTAL FUNCTIONAL EXPENSES	23,025,688	-	23,025,688	25,954,622
CHANGES IN NET ASSETS	102,777	(11,236,103)	(11,133,326)	(889,221)
NET ASSETS, Beginning of Year	3,024,442	32,393,495	35,417,937	36,307,158
NET ASSETS, End of Year	$ 3,127,219	$ 21,157,392	$ 24,284,611	$ 35,417,937

See Accompanying Notes to Financial Statements.

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services			Supporting Services			
	Materials Assistance	Public Education and Policy / Technical Assistance	Total Program	General and Administrative	Fundraising	2022 Total	2021 Summarized Total
Personnel:							
Salaries	$ 426,768	$ 265,550	$ 692,318	$ 115,488	$ 162,074	$ 969,880	$ 922,293
Employee benefits	114,238	20,355	134,593	8,148	20,013	162,754	150,781
Payroll taxes and w orkers' compensation insurance	47,714	19,989	67,703	9,211	12,765	89,679	86,524
Total Personnel	588,720	305,894	894,614	132,847	194,852	1,222,313	1,159,598
Other Operating Expenses:							
Advertising	-	-	-	1,973	-	1,973	-
Depreciation	342,578	872	343,450	379	532	344,361	308,136
Donated goods distributed	20,770,968	-	20,770,968	-	-	20,770,968	23,852,402
Event production	-	-	-	-	-	-	23,196
Inventory obsolescence	7,400	-	7,400	-	-	7,400	4,090
Insurance	27,881	3,892	31,773	1,693	2,376	35,842	36,900
K.I.D.S	25,000	-	25,000	-	-	25,000	25,000
New sletter	624	387	1,011	168	236	1,415	9,957
Occupancy	39,301	24,454	63,755	10,635	14,925	89,315	91,623
Office expense	21,033	8,679	29,712	15,279	5,298	50,289	48,636
Printing	3,355	2,057	5,412	1,210	939	7,561	3,786
Professional fees	16,569	17,836	34,405	145,792	6,096	186,293	126,605
Repairs and maintenance	127,205	-	127,205	-	-	127,205	55,997
Taxes and assessments	13,535	-	13,535	824	-	14,359	12,188
Telephone	23,685	2,372	26,057	1,031	1,447	28,535	27,207
Training and education	265	103	368	1,938	63	2,369	3,366
Travel	1,200	-	1,200	1,126	-	2,326	839
Trucking	24,582	-	24,582	-	-	24,582	26,682
Warehousing	83,582	-	83,582	-	-	83,582	138,414
Total Other Operating Expenses	21,528,763	60,652	21,589,415	182,048	31,912	21,803,375	24,795,024
TOTAL FUNCTIONAL EXPENSES	$ 22,117,483	$ 366,546	$ 22,484,029	$ 314,895	$ 226,764	$ 23,025,688	$ 25,954,622

See Accompanying Notes to Financial Statements.

SHELTER PARTNERSHIP, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Year Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (11,133,326)	$ (889,221)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	344,361	308,136
Noncash contributions of investments received	(18,877)	(12,541)
Loan forgiveness - Paycheck Protection Program	-	(212,662)
Unrealized gain on investments, net	-	(5,430)
Receipt of donated inventory	(10,003,823)	(22,703,218)
Distribution of donated inventories	20,770,968	23,783,048
Inventory obsolescence	7,399	4,090
(Increase) decrease in assets:		
Grants and pledges receivable	(107,969)	(168,055)
Prepaid expenses and other assets	13,832	(7,671)
Increase (decrease) in liabilities:		
Accounts payable	(146,918)	145,459
Accrued expenses and other liabilities	24,680	(1,741)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(249,673)	240,194
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	7,678	-
Purchases of investments	-	(1,040)
Purchases of property and equipment	(39,860)	(158,134)
NET CASH USED FOR INVESTING ACTIVITIES	(32,182)	(159,174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(281,855)	81,020
CASH AND CASH EQUIVALENTS, Beginning of Year	872,850	791,830
CASH AND CASH EQUIVALENTS, End of Year	$ 590,995	$ 872,850
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Non-Cash Operating Activities:		
Contribution of investments from donor(s)	$ 18,877	$ 12,541

See Accompanying Notes to Financial Statements.

NOTE 1 – ORGANIZATION

Shelter Partnership, Inc. (the "Partnership"), formed February 8, 1985, and is organized as a California nonprofit public benefit corporation. The Partnership works collaboratively to solve homelessness in the County of Los Angeles through policy analysis, program design, resource development, and advocacy in support of agencies and local governments that serve the homeless. The Partnership also distributes new goods, at no cost, to community agencies directly serving the homeless and households in poverty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

The most significant estimates related to the valuation of contributed goods and the valuation of inventory on hand. Contributed goods account for 84% of total revenues during the year ended June 30, 2022 and 91% during the year ended June 30, 2021. Contributed goods in inventory on hand accounted for 75% of total assets on June 30, 2022 and 81% on June 30, 2021.

Management relies on the use of judgment in the estimation in determining fair values of contributed goods, and such values materially enter into determination of net assets and results of activities. Management has implemented several safeguards that are designed to significantly reduce the risk of donated goods being recorded as overstated (or misstated) amounts. These safeguards are utilized on an ongoing basis and management feels they effectively reduce risk of misstating the financial position.

Classes of Net Assets – To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Partnership are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Without donor restrictions – Net assets without donor restriction represent the portion of expendable funds that are available to support the operations and are not subject to donor-imposed restrictions. Contributions that are purpose or time restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. On June 30, 2022 and 2021, the Partnership had unrestricted net assets of $3,127,219 and $3,024,442, respectively.

With donor restrictions – Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Partnership's actions. On June 30, 2022 and 2021, the Partnership had temporarily restricted net assets of $21,157,392 and $32,393,495, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash and were purchased with maturities of less than three months.

Investments – Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statements of activities in the period that such fluctuations occur. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period. Investment management fees are completely allocated to net assets without donor restrictions.

Accounts and Pledges Receivable – The Partnership records accounts and pledges receivable, net of allowances for uncollectible amounts, whenever there is enough evidence in the form of verifiable documentation that an unconditional promise was made and received. No provision has been provided for uncollectible amounts at June 30, 2022 and 2021, as all amounts are considered to be fully collectible. In addition, accounts and pledges receivable are expected to be collected within one year.

Three donors comprised 83% of total pledges receivable at June 30, 2022; no other single donor comprised more than 10%. During the year ended June 30, 2021, there were two donors that comprised 84% of total pledges receivable; no other single donor comprised more than 10%.

Inventory and Donated Goods Revenues and Expenses – Inventory and donated goods revenue consist of new goods donated by manufacturers, retailers, and others. Donations include items such as clothing, shoes, personal care products, household goods, cleaning supplies, paper products, office products, etc. These goods are recorded as temporarily restricted contributions at estimated fair market value. Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of comparable items, if known, or (c) management's own subjective appraisals based on research. The goods are held at the value recorded at the date of contribution on an item-by-item basis and placed into inventory for distribution. Goods are distributed to other independent nonprofit organizations that directly service households in poverty, and the values of the distributed items are removed from inventory based on the specific identification method. Upon distribution of the inventory, the amount is released from temporarily restricted net assets and donated goods expense is recorded. The Partnership reviews its inventory on an ongoing basis for possible damaged goods to be written off and to determine if a reserve is required. At June 30, 2022 and 2021, management has determined that no reserve was needed as the Partnership records annual impairment charges for goods that are no longer able to be distributed. For the years ended June 30, 2022 and 2021, the Partnership received donated goods in the amounts of $10,003,823 and $22,703,218, respectively. For the years ended June 30, 2022 and 2021, the Partnership distributed goods in the amounts of $20,770,968 and $23,852,402, respectively. All goods are allocated for programmatic purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property and Equipment – Property and equipment are stated at cost, or for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Property and equipment are capitalized if the cost of an asset is greater than or equal to $1,000 and the useful life is greater than two years. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets which are as follows:

Office equipment	5 years
Vehicles / warehouse equipment	5 years
Warehouse	30 years
Warehouse improvements	5 – 30 years

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be assessed for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. No impairment losses were recorded during the years ended June 30, 2022 and 2021.

Income Taxes – The Partnership is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. The Partnership is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. The Partnership does not have any revenue which it believes would subject it to unrelated business income taxes.

The Partnership recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Partnership has not recorded any uncertain tax positions. The Partnership recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended June 30, 2022 and 2021, the Partnership did not recognize any potential interest and penalties associated with uncertain tax positions.

The Partnership's federal income taxes and informational returns for tax years 2019 and subsequent remain subject to examination by the Internal Revenue Service. The Partnership’s income tax returns for California remain subject to examination by the California Franchise Tax Board for years 2018 and subsequent.

Contributions and Revenue – Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. All gifts and other public support are included in net assets without donor restrictions unless they are specifically restricted by the terms of the gift or grant instrument or require the passage of time.

During the years ended June 30, 2022 and 2021, the Partnership received $18,877 and $12,541 of donated investment securities, respectively. Donated investments are recorded at fair value on the date of receipt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Contributed Services – Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2022 and 2021, the Partnership did not receive any contributed services.

Functional Allocation of Expenses – The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Partnership incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Partnership also conducts several activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program, fundraising, or supporting activity, are allocated by management on a consistent basis among program, fundraising, and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel. Salaries and general overhead costs are allocated based on such allocation.

Revenue Recognition – The Partnership receives revenues from various local governmental agencies for technical consulting services rendered. These consulting services pertain to various services provided including, but not limited to funding and monitoring of social services for affordable housing tenants, supportive service plan performance evaluations, identification, or refinement of Special Needs target populations, assisting with supportive services for Veterans, and other related assistance in determining how the County of Los Angeles can provide affordable housing for those most in need. The Partnership recognizes revenues from these consulting services as they are performed. These amounts are billed monthly, and amounts are computed based on time and materials incurred according to service contract.

The Partnership also receives contributions from various governmental, corporate, and individual donors, which are classified as either support with or without donor restrictions in the Statement of Activities and Changes in Net Assets. Most contributions received by the Partnership are in the form of non-cash goods. These non-cash contributions are shown on the Statement of Activities and Changes in Net Assets as “Donated Goods for Distribution.” All contributions are recognized at their fair market values in the period in which it is received or unconditionally given. Donor-imposed restrictions do not affect the timing or value of the recognition.

Concentrations of Credit Risk – Cash in Excess of FDIC Insured Limits - Cash and cash equivalents consist of cash and highly liquid investments with an initial maturity of three months or less. The Federal Deposit Insurance Corporation (“FDIC”) insures cash deposits up to $250,000 per depositor. At times, cash may exceed the federally insured amounts.

Effect of Recently Issued Accounting Standards – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *“Leases”* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2021, and interim periods beginning the following year. The new standard must be adopted using a modified retrospective transition and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Partnership’s financial statements and related disclosures and has not yet selected a transition method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In September 2020, The FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by not-for-profit organizations. It is important to note that ASU 2020-07 does not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. This accounting standards update is effective for fiscal years beginning after June 15, 2021. During the year ended June 30, 2022, the Partnership adopted the presentation and disclosure requirements under ASU 2020-07.

Subsequent Events – Subsequent events have been evaluated through March 10, 2023, the date that the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets consist of the Partnership's cash and cash equivalents, certificates of deposit, investments, and contributions receivable. The following table summarizes the Partnership's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year because of donor-imposed restrictions:

	2022	2021
Financial assets as of June 30:	$ 1,318,784	$ 1,481,471
Less assets unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	-	(225,321)
Restricted by donors for capital purchases	-	(45,167)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,318,784	$ 1,210,983

Management believes the organization has sufficient funding from financial assets and planned revenues to meet obligations for the coming year.

NOTE 4 – INVESTMENTS

The Partnership's investments are reported at fair value in the accompanying statements of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the assets, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

NOTE 4 – INVESTMENTS – (CONTINUED)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

As of June 30, 2022, and 2021, the Partnership's investments consisted of the following:

	2022		2021	
	Fair Value	Cost or Amortized Cost	Fair Value	Cost or Amortized Cost
Common stocks	$ 26,172	$ 5,508	$ 15,038	$ 10,560
Mutual funds	4,038	1,598	3,973	3,021
	$ 30,210	$ 7,106	$ 19,011	$ 13,581

As of June 30, 2022, the fair value of the Partnership's investments are summarized as follows:

		Fair Value Level Designation		
	Total	Level 1	Level 2	Level 3
Common stocks	$ 26,172	$ 26,172	$ -	$ -
Mutual funds	4,038	4,038	-	-
	$ 30,210	$ 30,210	$ -	$ -

As of June 30, 2021, the fair value of the Partnership's investments are summarized as follows:

		Fair Value Level Designation		
	Total	Level 1	Level 2	Level 3
Common stocks	$ 15,038	$ 15,038	$ -	$ -
Mutual funds	3,973	3,973	-	-
	$ 19,011	$ 19,011	$ -	$ -

Certificates of deposit are carried at cost plus accrued interest and are excluded from the fair value table above. As of June 30, 2022 and 2021, the Partnership's certificates of deposit include the following:

Issuer	Face value	Interest Rate	Maturity Date
CIT	$ 155,000	0.15%	8/2/2022
CIT	$ 95,000	0.15%	11/11/2022

NOTE 4 – INVESTMENTS – (CONTINUED)

Net investment income was comprised of the following for the fiscal-years-ended June 30, 2022 and June 30, 2021:

	2022	2021
Interest	$ 430	$ 1,088
Dividends	-	9
Net unrealized gains (losses)	-	5,430
	$ 430	$ 6,527

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on June 30, 2022 and 2021:

	2022	2021
Building and improvements	$ 8,760,273	$ 8,760,273
Office equipment	166,225	161,165
Vehicles / warehouse equipment	463,717	437,562
	9,390,215	9,359,000
Accumulated depreciation	(4,615,561)	(4,279,845)
	$ 4,774,654	$ 5,079,155

Depreciation expense for the years ended June 30, 2022 and 2021 was $344,361 and $308,136, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions (temporarily restricted) were as follows:

	Available at June 30, 2021	Contributions	Released from Restrictions	Available at June 30, 2022
Donated goods	$ 29,065,880	$ 10,003,823	$ (20,778,367)	$ 18,291,336
Donated building	3,057,127	-	(191,071)	2,866,056
Program and operating grants	225,321	685,211	(910,532)	-
Capital campaign	45,167	567	(45,734)	-
	$ 32,393,495	$ 10,689,601	$ (21,925,704)	$ 21,157,392

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)

On July 6, 2007, the United States of America, acting through the Secretary of Health and Human Services ("Grantor"), granted the Partnership the building currently occupied as the S. Mark Taper Foundation Shelter Resource Bank. The grant of this property from the United States government contained certain continuing covenants and restrictions including (1) the use of property for health purposes, (2) limitation on ability to sell or encumber property without the consent of the Grantor, (3) annual reporting requirements as to the Partnership's program use and accomplishments, (4) maintenance of tax-exempt status, and (5) other customary requirements for receiving assistance and doing business with the United States of America.

The Partnership currently uses the donated property to distribute, free of charge, donations of surplus inventory from manufacturers, wholesalers, retailers, and others to homeless service agencies throughout Los Angeles County. The Partnership believes it is following all covenants and restrictions under the agreement. The covenants and restrictions will lapse in year 2037.

Donated goods are reflected as net assets with donor restrictions due to limitations on the ability to sell or transfer the goods.

NOTE 7 – LEASE COMMITMENTS

The Partnership leases its home office space under a non-cancelable operating lease agreement that expires on July 31, 2025. The future minimum lease payments are as follows:

Years Ending June 30:		
2023	$	91,995
2024		103,391
2025		106,493
2026		8,896
	$	310,775

Rent expense for the years ended June 30, 2022 and 2021, was $89,315 and $91,623, respectively. These amounts are included as part of occupancy on the accompanying statements of functional expenses.

NOTE 8 – PROFIT SHARING PLANS

The Partnership offers a 401(k) profit sharing plan (the "401(k) Plan"). All employees are eligible to participate in the 401(k) Plan. The 401(k) Plan allows employees to defer up to $19,500 of their salary plus a catch-up contribution of $6,500 (for individuals over age 50). The Partnership may make discretionary contributions to the plan. The Partnership contributed $41,717 and $51,283 for the years ended June 30, 2022 and 2021, respectively.

The Partnership also offers a tax-exempt deferred compensation plan (the "457 Plan") for the executive director. The 457 plan allows for discretionary contributions. The Partnership contributed $0 and $6,500 to the 457 Plan for the years ended June 30, 2022 and 2021, respectively.