

**THE COCOON SHELTER DBA THE COCOON AND
TRANSFORMATIVE PRAXIS, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Cocoon Shelter
Bowling Green, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Cocoon Shelter dba The Cocoon and Transformative Praxis, LLC, (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the results of its operations 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 Organization 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2021 opening net assets have been restated for the correction of an error related to the recognition of forgivable loans and the classification of net assets. As a result of the restatement, at January 1, 2021, assets increased by \$99,966; liabilities increased by \$358,333; net assets with donor restrictions decreased by \$187,086; and net assets without donor restrictions decreased by \$71,281. Our opinion is not modified with respect to this matter. The 2021 opening net assets prior to restatement were derived from the financial statements of the Organization, as of and for the year ended December 31, 2020 which were audited by other auditors, whose report, dated July 12, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management 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.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

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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 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 Organization'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 Organization'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
November 14, 2022

THE COCOON SHELTER DBA THE COCOON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021

		<u>2021</u>
ASSETS		
Assets		
Cash and cash equivalents	\$	603,573
Accounts receivable		22,486
Grants receivable		382,768
Prepaid expenses		20,131
Restricted cash equivalents		2,373
Investments		1,819,133
Beneficial interest in perpetual trust		449,664
Property and equipment, net		1,816,855
Other assets		810
Total assets	\$	<u>5,117,793</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$	50,293
Accrued payroll and related liabilities		31,203
Accrued paid time off		33,712
Other liabilities		6,425
Notes payable		1,267,423
Total liabilities		<u>1,389,056</u>
Net assets		
Net assets without donor restrictions		1,767,635
Net assets with donor restrictions		<u>1,961,102</u>
Total net assets		<u>3,728,737</u>
Total liabilities and net assets	\$	<u>5,117,793</u>

The accompanying notes are an integral part of these financial statements.

THE COCOON SHELTER DBA THE COCOON
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 284,127	\$ 20,000	\$ 304,127
In-kind contributions	92,366		92,366
Grants			
State Budget Grant	42,483		42,483
Foundations and Service Organizations	62,809		62,809
ADAMHS Mental Health & Substance Use Disorder Services	175,761		175,761
ADAMHS State Opioid Response	150,975		150,975
Family Violence Prevention	68,099		68,099
Marriage License/Divorce Fees	8,301		8,301
Wood County Department of Job and Family Services	62,466		62,466
Ohio Alliance to End Sexual Violence	32,200		32,200
Violence Against Women Act	42,459		42,459
Victims of Crime Act	344,655		344,655
United Way Partner Agencies	46,252		46,252
United Way Individual Designations	15,842		15,842
EFSP Grant	16,000		16,000
Rape Crisis Fund	143,454		143,454
Cares Act Victim Services Grant	116,433		116,433
Ohio Domestic Violence Network	81,905		81,905
Fundraisers	161,985		161,985
Net investment return	199,270		199,270
Other	47,533		47,533
Change in beneficial interest in perpetual trust		12,845	12,845
Net assets released from restrictions	8,562	(8,562)	0
Total revenue and other support	2,203,937	24,283	2,228,220
Expenses			
Program services	1,373,523		1,373,523
Management and general	58,123		58,123
Fundraising	109,665		109,665
Total expenses	1,541,311	0	1,541,311
Change in net assets	662,626	24,283	686,909
Net assets at beginning of year, as previously stated	1,176,290	2,123,905	3,300,195
Correction of an error	(71,281)	(187,086)	(258,367)
Net assets at end of year	<u>\$ 1,767,635</u>	<u>\$ 1,961,102</u>	<u>\$ 3,728,737</u>

The accompanying notes are an integral part of these financial statements.

THE COCOON SHELTER DBA THE COCOON
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 649,919	\$ 15,691	\$ 53,915	\$ 719,525
Payroll taxes	66,431	1,393	4,774	72,598
Health benefits	71,056	2,296	8,657	82,009
Total personnel expenses	<u>787,406</u>	<u>19,380</u>	<u>67,346</u>	<u>874,132</u>
In-kind expenses	77,403			77,403
In-kind rent	6,450			6,450
Professional fees	75,018	21,447	8,341	104,806
Utilities, telephone and internet	35,257	6,357	9,347	50,961
Insurance	14,061	1,480	1,480	17,021
Supplies	2,106	290	180	2,576
Meals and travel expenses	7,421	387	686	8,494
Printing and copying	5,607	592	9,877	16,076
Technology expenses	45,647	5,207	6,332	57,186
Resident expenses	157,550			157,550
Repairs and maintenance	10,658	674	529	11,861
Promotion and development	244	367	1,172	1,783
Postage	85	99	1,017	1,201
Training and education	190		997	1,187
Dues and subscriptions	2,054	102	546	2,702
Advertising	341	36	443	820
Security	5,297	877	1,050	7,224
Cleaning expenses	2,899	318	318	3,535
Volunteer expenses	105			105
Interest expense	14,605			14,605
Other expenses	2,428	510	4	2,942
Total operating and personnel expenses before depreciation	<u>1,252,832</u>	<u>58,123</u>	<u>109,665</u>	<u>1,420,620</u>
Depreciation	<u>120,691</u>	<u>0</u>	<u>0</u>	<u>120,691</u>
Total expenses	<u>\$ 1,373,523</u>	<u>\$ 58,123</u>	<u>\$ 109,665</u>	<u>\$ 1,541,311</u>

The accompanying notes are an integral part of these financial statements.

**THE COCOON SHELTER DBA THE COCOON
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2021**

	2021
Cash flows from operating activities	
Change in net assets	\$ 686,909
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	120,691
Net realized and unrealized gains on investments	(87,748)
Change in value of beneficial interest in perpetual trust	(12,845)
Amortization of forgivable note payable	(63,610)
Changes in operating assets and liabilities which provided (used) cash:	
Accounts receivable	(645)
Grants receivable	(95,716)
Prepaid expenses and other assets	(6,840)
Accounts payable and other liabilities	(14,455)
Accrued payroll and related liabilities	1,910
Accrued paid time off	3,919
Net cash provided by operating activities	531,570
Cash flows from investing activities	
Purchase of investments	(222,152)
Proceeds from sale of investments	110,631
Purchase of property and equipment	(90,477)
Net cash used in investing activities	(201,998)
Cash flows from financing activities	
Payment on notes payable	(11,704)
Line of credit proceeds (payments)	(33,510)
Net cash used in financing activities	(45,214)
Net increase in cash and cash equivalents	284,358
Cash, cash equivalents and restricted cash at beginning of year	321,588
Cash, cash equivalents and restricted cash at end of year	\$ 605,946
Supplemental cash flow information	
Cash paid for interest	\$ 14,605

The accompanying notes are an integral part of these financial statements.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of organization

The consolidated financial statements include the accounts of The Cocoon Shelter dba The Cocoon and Transformative Praxis, LLC, (collectively, the Organization). In June 2014, Transformative Praxis, LLC, a non-profit limited liability company, was formed to purchase and own real property for use by The Cocoon Shelter. All significant inter-organization balances and transactions have been eliminated in these consolidated financial statements.

The Cocoon Shelter is a non-profit organization that was formed for the purpose of providing a place for safety and healing for individuals oppressed by interpersonal violence through crisis intervention, advocacy, temporary shelter, therapeutic and/or support services and resources for abused individuals and their children primarily in Wood County and the City of Bowling Green. Revenue is primarily through private contributions and state, county, and local grants.

The Cocoon Shelter and Behavioral Connections of Wood County entered into a memorandum of understanding to relocate the programs and services of the SAAFE Center to The Cocoon Shelter effective October 1, 2015. With the integration of SAAFE Center programs, The Cocoon Shelter has expanded its mission to include programs and services to support victims of sexual violence, including comprehensive advocacy services to victims of sexual assault, sexual harassment and stalking.

Note 2 – Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accrual basis provides for the recognition of revenues when earned and of expenses when incurred.

Financial statement presentation

The accompanying consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Presentation of Financial Statements of Not-for-Profit Entities* to be in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Furthermore, the ASC Topic expands disclosures about the Organization's liquidity, financial performance, and cash flows.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 2 – Summary of significant accounting policies – continued

Cash and cash equivalents

Cash consists of a bank deposit account and its balance may, at times, exceed federally insured limits. Management does not believe the Organization is exposed to any significant financial risk as a result of this deposit.

Accounts receivable and grants receivable

Accounts receivable and grants receivable consist of amounts due from contributions and grantors. The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is included in the consolidated financial statements.

Investments

Investments are recorded at fair market value as determined by quoted market prices of the securities held. Unrealized appreciation or depreciation of investments, based on quoted market values at December 31, 2021, is recorded as an increase or decrease in net assets without donor restrictions in the accompanying statement of activities. Investment income is reported net of external investment expenses.

Property and equipment

Property and equipment are recorded at cost or, if donated, at approximate fair value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Organization maintains a capitalization threshold of \$250 with expenditures for maintenance and repairs charged to operations as incurred.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Leasehold improvements	15
Storage shed	10
Equipment and furniture	3-10
Computers	3-10

Classification of net assets

Net assets of the Organization are classified as net assets without donor restrictions and net assets with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in net assets with donor restrictions. Earnings, gains, and losses on net assets with donor restrictions are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. Net assets with donor restrictions that are met within the reporting period are reported as net assets without donor restrictions.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 2 – Summary of significant accounting policies – continued

Revenue recognition

Contributions

In accordance with the FASB ASC Topic, *Not-for-profit Entities – Revenue Recognition*, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. See Note 10 for further disclosure. Conditional contributions, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Organization's grants are considered to be conditional contributions for purposes of applying revenue recognition policies. The Organization records other revenues as earned.

In-kind support

The Organization receives support through in-kind donations for the residents, professional fees, and rent. The Organization records in-kind support and related costs at the estimated fair value of these costs.

Grants

The Organization recognizes grants as contributions in accordance with FASB ASC Topic, *Not-for-profit Entities – Revenue Recognition*. The Organization recognizes funds received as contributions from grants when eligible costs are incurred. A receivable is recorded to the extent grants earned exceed cash advances. Conversely, refundable advances are recorded when grant or contract cash advances exceed support earned. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of a grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor.

Fundraisers

Contributions collected at certain special events are recognized according to guidance provided by the FASB ASC Topic, *Not-for-profit Entities – Revenue Recognition* and reported as fundraisers on the statement of activities and changes in net assets.

Concentration of revenues

The Organization received approximately 53% of its annual revenue and support in 2021 from both the United Way of Hancock County and The Ohio Development Services Agency and is dependent upon these and other funding sources to fulfill their funding commitments.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 2 – Summary of significant accounting policies – continued

Federal income taxes

The Cocoon Shelter and its consolidated entity are recognized as nonprofit organizations that are exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, no provision for income taxes was recognized in the accompanying financial statements.

Management of the Organization is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management of the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions).

New accounting pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. ASU 2016-02 will require that a lessee recognize assets and liabilities on the statement of financial position for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. ASU 2016-02, as amended by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year.

Subsequent events

The Organization has evaluated events subsequent to the financial position date of December 31, 2021 through November 14, 2022, the date on which the financial statements were issued, and have determined that there are no subsequent events that require recognition or disclosure.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 3 – Cash and restricted cash equivalents

The following table provides a reconciliation of cash and restricted cash equivalents reported within the consolidated statements of financial position that sum the total of the same such amounts shown in the consolidated statements of cash flows:

	2021
Cash	\$ 603,573
Restricted cash equivalents	2,373
Total cash and restricted cash equivalents	\$ 605,946

Assets restricted to investment in a future project on the consolidated statement of financial position include restricted cash equivalents received with a donor-imposed restriction that limits use of that cash to the long-term purpose of a future project on a new campus in Perrysburg.

Note 4 – Grants receivable

Grants receivable, which are expected to be collected within a year, consisted of the following at December 31:

	2021
Family Violence Prevention and Services Grant	\$ 29,920
Victims of Crime Act	95,462
Violence Against Women Act	34,391
CARES Act Victim Services Grant	30,703
ADAMHS State Opioid Response	81,593
Wood County JFS	4,105
Ohio Domestic Violence Network	2,028
Ohio Alliance to End Sexual Violence	4,600
OhioMHAS	99,966
Total grants receivable	\$ 382,768

Note 5 – Fair value measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC Topic, *Fair Value Measurement*, are described as follows:

- Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 5 – Fair value measurements – continued

Level 2. Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the asset or liability;
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Mutual funds – valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 5 – Fair value measurements – continued

The following tables set forth, by level, within the fair value hierarchy, the Organization’s assets carried at fair value:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements at December 31, 2021</u>		
		<u>Quoted Prices in Active Markets for Identical Assets Level (1)</u>	<u>Significant Other Observable Inputs Level (2)</u>	<u>Significant Unobservable Inputs Level (3)</u>
Fixed income mutual funds	\$ 617,067	\$ 617,067	\$ 0	\$ 0
Equity mutual funds	1,164,118	1,164,118		
Money market funds	37,948	37,948		
Beneficial interest in perpetual trust	449,664			449,664
Total assets at fair value	<u>\$ 2,268,797</u>	<u>\$ 1,819,133</u>	<u>\$ 0</u>	<u>\$ 449,664</u>

The following table below summarizes the changes in fair value of the Organization’s Level 3 asset (beneficial interest in perpetual trust), for years ended December 31:

	<u>2021</u>
Beginning balance	\$ 436,819
Net unrealized gain	12,845
Ending balance	<u>\$ 449,664</u>

Note 6 – Beneficial interest in perpetual trust

In 2015, the Organization became an income beneficiary of certain funds held in trust by an outside fiscal agent. Under the terms of the trust, the Organization has the irrevocable right to receive the income earned on the trust’s assets in perpetuity but will never receive the assets held in the trust. Distributions from the trust are recorded as investment income, and the carrying value of the assets will be adjusted annually for changes in the estimates of future receipts (\$449,664 as of December 31, 2021). The Organization received approximately \$22,000 in distributions from this trust during 2021.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 7 – Property and equipment

Property and equipment consist of the following at December 31:

	2021
Land	\$ 225,060
Buildings	246,797
Shelter equipment	58,825
Computer equipment and software	113,946
Office furniture and fixtures	84,747
Building improvements	1,538,915
Construction in progress	10,850
Total property and equipment	2,279,140
Less: accumulated depreciation	(462,285)
Net property and equipment	\$ 1,816,855

Depreciation expense was \$120,691 in 2021.

Note 8 – Line of credit

The Organization had an unsecured revolving line of credit of \$25,000 due on demand with a bank, for the purpose of supporting working capital. Interest was calculated at the bank’s prime rate with a floor of 4% (6% at December 31, 2021). As of December 31, 2021, there was no outstanding balance on the bank line of credit.

The Organization had an additional unsecured revolving line of credit of \$200,000 with a bank for the purpose of supporting timing with collecting grant reimbursements. Interest was calculated at the bank’s prime rate of 3.25% at December 31, 2020. The line expired May 31, 2021. As of December 31, 2021, the outstanding balance on the bank line of credit was \$0.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 9 – Notes payable

Notes payable consists of the following obligations at December 31:

	2021
Mortgage payable to bank, collateralized by substantially all assets of the Organization, due in monthly installments of \$2,076 with remaining balance due in full in February 2026, including interest at 4.25%.	\$ 263,812
Forgivable note to Ohio Department of Mental Health and Addiction Services (OhioMHAS), forgivable over a term of 30 years at a rate of \$2,222 per month (provided the Organization uses the secured property in accordance with OhioMHAS restrictions), non-interest bearing, expires July 2047. Collateralized by specific real estate.	657,778
Forgivable note to Ohio Department of Mental Health and Addiction Services (OhioMHAS), forgivable over a term of 30 years at a rate of \$1,042 per month (provided the Organization uses the secured property in accordance with OhioMHAS restrictions), non-interest bearing, expires July 2049. Collateralized by specific real estate.	345,833
Total notes payable	\$ 1,267,423

Scheduled annual principal maturities for each of the five years succeeding December 31, 2021 and thereafter, are summarized as follows:

	Mortgage Payable	Forgivable Note Due 2047	Forgivable Note Due 2049
2022	\$ 13,866	\$ 26,667	\$ 12,500
2023	14,476	26,667	12,500
2024	15,112	26,667	12,500
2025	15,776	26,667	12,500
2026	16,470	26,667	12,500
Thereafter	188,112	524,443	283,333
Total	\$ 263,812	\$ 657,778	\$ 345,833

The forgivable note is being amortized over the life of the debt and reflected as revenue in the consolidated statement of activities as state budget grant revenue.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 10 – Net assets with donor restrictions

Net assets with donor restrictions contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization or the respective beneficiary affiliates.

Net assets with donor restrictions consists of the following at December 31:

	2021
Subject to expenditure for specified purposes:	
Future construction project	\$ 1,500,000
Economic Empowerment – Survivor Savings Match	7,000
Online Schooling Support for Children	4,438
Total subject to expenditure for specified purposes	1,511,438
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trust (Note 5)	449,664
Total net assets with donor restrictions	\$ 1,961,102

Note 11 – Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services donated for 2021 that met this criteria totaled \$92,366, and are included in the consolidated statement of activities and net assets as in-kind contributions.

Volunteers also perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments throughout the year that are not recognized as contributions in the consolidated statement of activities and net assets because the recognition criteria was not met. For the years ended December 31, 2021, the Organization had many volunteers who volunteered more than 4,300 volunteer hours.

Note 12 – Contingencies

Financial awards from state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 13 – Liquidity and availability of financial assets

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31:

	2021
Cash and cash equivalents	\$ 603,573
Accounts receivable	22,486
Grants receivable	382,768
Investments	1,819,133
Beneficial interest in perpetual trust	449,664
Less: Net assets with donor restrictions	(1,961,102)
Total	\$ 1,316,522

The Organization had \$1,316,522 of financial assets available within one year of the statement of financial position date of December 31, 2021, to meet cash needs for general expenditures, consisting of cash, accounts grants receivable, accounts receivable and investments. The Organization reviews cash balances on a monthly basis to ensure cash flow. The Organization also has a line of credit described in Note 8, available for operating expenditures as needed.

Note 14 – Methods used for the allocation of expenses between program and management and general

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between program services and support services on a reasonable basis that is consistently applied. No joint costs for fundraising appeals were incurred in 2021.

Expenses which apply to more than one functional category have been allocated among program, management and general and fundraising based on the time spent on these functions by specific employees as estimated by management.

Note 15–Risks and uncertainties

A novel strain of coronavirus (COVID-19) has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organizations on January 30, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen as of the date of the financial statements. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the Organization’s payors and donors, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization’s financial condition or results of operations is uncertain.

THE COCOON SHELTER DBA THE COCOON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2021

Note 16 – Prior period correction of an error

During the year ended December 31, 2021, the Organization determined that an accounting error was made during the year ended December 31, 2020 related to the accounting for forgivable loans. The correction of this error resulted in a restatement of net assets without donor restrictions as of December 31, 2020.

	<u>Grants receivable</u>	<u>Notes payable</u>	<u>Net assets without donor restrictions</u>
As previously reported	\$ 187,086	\$ 984,404	\$ 1,176,290
Correction at December 31, 2020	99,966	358,333	(258,367)
As restated	<u>\$ 287,052</u>	<u>\$ 1,342,737</u>	<u>\$ 917,923</u>

During the year ended December 31, 2021, the Organization also determined that an accounting error was made during the year ended December 31, 2020 related to the accounting for net assets with donor restrictions. The correction of this error had no impact on the change in net assets for the year ended December 31, 2020.

	<u>Net assets with donor restrictions</u>	<u>Net assets without donor restrictions</u>
As previously reported after accounting for forgivable loan above	\$ 2,123,905	\$ 917,923
Correction of net asset restrictions	(187,086)	187,086
As restated	<u>\$ 1,936,819</u>	<u>\$ 1,105,009</u>

SUPPLEMENTARY INFORMATION

THE COCOON SHELTER DBA THE COCOON
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2021

	The Cocoon Shelter	Transformative Praxis	Eliminations	Consolidated
ASSETS				
Current assets				
Cash and cash equivalents	\$ 603,573	\$ 0	\$ 0	\$ 603,573
Accounts receivable	22,486			22,486
Grants receivable	382,768			382,768
Prepaid expenses	20,131			20,131
Restricted cash equivalents	2,373			2,373
Investments	1,819,133			1,819,133
Beneficial interest in perpetual trust	449,664			449,664
Property and equipment, net	1,487,255	329,600		1,816,855
Other assets	462	348		810
Total assets	\$ 4,787,845	\$ 329,948	\$ 0	\$ 5,117,793
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 50,293	\$ 0	\$ 0	\$ 50,293
Accrued payroll and related liabilities	31,203			31,203
Accrued paid time off	33,712			33,712
Other liabilities	6,425			6,425
Notes payable	1,003,611	263,812		1,267,423
Total liabilities	1,125,244	263,812	0	1,389,056
Net assets				
Without donor restrictions	1,701,499	66,136		1,767,635
With donor restrictions	1,961,102			1,961,102
Total net assets	3,662,601	66,136	0	3,728,737
Total liabilities and net assets	\$ 4,787,845	\$ 329,948	\$ 0	\$ 5,117,793

The accompanying notes are an integral part of these financial statements.

THE COCOON SHELTER DBA THE COCOON
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
December 31, 2021

	<u>The Cocoon Shelter</u>	<u>Transformative Praxis</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues and other support				
Contributions	\$ 304,127	\$ 0	\$ 0	\$ 304,127
In-kind contributions	92,366			92,366
Grants				
State Budget Grant	42,483			42,483
Foundations and Service Organizations	62,809			62,809
ADAMHS Mental Health & Substance Use Disorder Services	175,761			175,761
ADAMHS State Opioid Response	150,975			150,975
Family Violence Prevention	68,099			68,099
Marriage License/Divorce Fees	8,301			8,301
Wood County Department of Job and Family Services	62,466			62,466
Ohio Alliance to End Sexual Violence	32,200			32,200
Violence Against Women Act	42,459			42,459
Victims of Crime Act	344,655			344,655
United Way Partner Agencies	46,252			46,252
United Way Individual Designations	15,842			15,842
EFSP Grant	16,000			16,000
Rape Crisis Fund	143,454			143,454
Cares Act Victim Services Grant	116,433			116,433
Ohio Domestic Violence Network	81,905			81,905
Fundraisers	161,985			161,985
Rental income	0	25,112	(25,112)	0
Net investment return	199,270			199,270
Other	47,533			47,533
Change in beneficial interest in perpetual trust	12,845			12,845
Total revenue and other support	<u>2,228,220</u>	<u>25,112</u>	<u>(25,112)</u>	<u>2,228,220</u>
Expenses				
Program services	1,378,499	20,136	(25,112)	1,373,523
Management and general	58,123			58,123
Fundraising	109,665			109,665
Total expenses	<u>1,546,287</u>	<u>20,136</u>	<u>(25,112)</u>	<u>1,541,311</u>
Changes in net assets	681,933	4,976	0	686,909
Net assets, beginning of year - as previously stated	3,239,035	61,160	0	3,300,195
Correction of an error	(258,367)			(258,367)
Net assets, end of year	<u>\$ 3,662,601</u>	<u>\$ 66,136</u>	<u>\$ 0</u>	<u>\$ 3,987,104</u>

The accompanying notes are an integral part of these financial statements.