Coalition on Temporary Shelter

Financial Report

June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Directors
Coalition on Temporary Shelter

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition on Temporary Shelter (the "Organization"), which comprise the balance sheet as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Consolidated financial statements are required for conformity with accounting principles generally accepted in the United States of America. As discussed in Note 1, the parent-only financial statements include a wholly owned subsidiary and variable interest entities, for which the Organization is the primary beneficiary, that are accounted for under the cost method instead of the consolidation method required by accounting standards generally accepted in the United States of America. Additionally, as discussed in Note 1, the parent-only financial statements exclude entities for which the Organization is the sole member instead of using the consolidation method required by accounting principles generally accepted in the United States of America. The parent-only financial statements are being issued in addition to the 2019 and 2018 consolidated financial statements that include the subsidiaries and variable interest entities. Information regarding the variable interest entities is disclosed in Note 13.

To the Board of Directors
Coalition on Temporary Shelter

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheet of Coalition on Temporary Shelter as of June 30, 2019 and 2018 and the statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of Coalition on Temporary Shelter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coalition on Temporary Shelter's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 23, 2020

Balance Sheet

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 3,614,543	$ 2,110,748
Investments	6,066,628	10,391,521
Receivables:		
Trade and grant - Net (Note 3)	823,023	504,062
Contributions and other (Note 4)	1,286,000	1,752,750
Prepaid expenses and other current assets	557,689	1,108,561
Total current assets	12,347,883	15,867,642
Investments in Limited Partnerships (Note 12)	443,114	443,114
Contributions Receivable (Note 4)	200,000	908,250
Other Assets - Related party receivable (Note 12)	6,550,308	1,749,681
Property and Equipment - Net (Note 6)	7,002,347	2,909,530
Assets Held for Sale (Note 6)	-	240,643
Endowment (Note 15)	980,640	928,122
Total assets	**$ 27,524,292**	**$ 23,046,982**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,265,565	$ 660,875
Deferred revenue	2,963	3,554
Accrued wages and other	340,505	324,434
Note payable (Note 7)	350,000	-
Total current liabilities	1,959,033	988,863
Long-term Note Payable (Note 7)	-	350,000
Deferred Gain (Note 2)	1,659,357	-
Total liabilities	3,618,390	1,338,863
Net Assets		
Without donor restrictions:		
Undesignated	20,517,263	17,324,998
Board designated	1,551,363	1,503,665
With donor restrictions	1,837,276	2,879,456
Total net assets	23,905,902	21,708,119
Total liabilities and net assets	**$ 27,524,292**	**$ 23,046,982**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 1,256,200	$ 142,751	$ 1,398,951	$ 1,483,439	$ 2,229,585	$ 3,713,024
In-kind donations	806,842	-	806,842	961,352	-	961,352
Foundation and private grants	530,357	394,210	924,567	595,313	106,112	701,425
Federal grants	2,127,447	-	2,127,447	2,325,899	-	2,325,899
State grants	294,267	-	294,267	472,854	-	472,854
Reimbursement for services	17,160	-	17,160	13,317	-	13,317
Developer fee income (Note 12)	1,500,000	-	1,500,000	-	-	-
Net realized and unrealized gains on investments	17,128	13,241	30,369	17,540	13,390	30,930
Interest income	193,636	8,041	201,677	136,260	7,025	143,285
Endowment contributions	20,168	3,953	24,121	18,863	-	18,863
Rental income	318,869	-	318,869	330,518	-	330,518
Miscellaneous income	18,357	-	18,357	30,869	-	30,869
Total revenue, gains, and other support	7,100,431	562,196	7,662,627	6,386,224	2,356,112	8,742,336
Net Assets Released from Restrictions	1,604,376	(1,604,376)	-	608,317	(608,317)	-
Total revenue, gains, other support, and net assets released from restrictions	8,704,807	(1,042,180)	7,662,627	6,994,541	1,747,795	8,742,336
Expenses						
Program services:						
Counseling and housing support	316,897	-	316,897	-	-	-
Affordable housing	170,723	-	170,723	201,909	-	201,909
Emergency shelter	3,430,615	-	3,430,615	3,272,709	-	3,272,709
Transitional services	283,699	-	283,699	428,969	-	428,969
Permanent supportive housing	2,537,561	-	2,537,561	2,553,996	-	2,553,996
Total program services	6,739,495	-	6,739,495	6,457,583	-	6,457,583
Support services:						
Management and general	1,022,127	-	1,022,127	916,318	-	916,318
Fundraising	752,509	-	752,509	875,283	-	875,283
Total support services	1,774,636	-	1,774,636	1,791,601	-	1,791,601
Total expenses	8,514,131	-	8,514,131	8,249,184	-	8,249,184
Increase (Decrease) in Net Assets - Before other changes in net assets	190,676	(1,042,180)	(851,504)	(1,254,643)	1,747,795	493,152
Contribution from Michigan Nonprofit Housing Corporation (Note 12)	3,049,287	-	3,049,287	5,232,032	-	5,232,032
Increase (Decrease) in Net Assets	3,239,963	(1,042,180)	2,197,783	3,977,389	1,747,795	5,725,184
Net Assets - Beginning of year	18,828,663	2,879,456	21,708,119	14,851,274	1,131,661	15,982,935
Net Assets - End of year	**$ 22,068,626**	**$ 1,837,276**	**$ 23,905,902**	**$ 18,828,663**	**$ 2,879,456**	**$ 21,708,119**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services						Support Services			
	Counseling and Housing Support	Affordable Housing	Emergency Shelter	Transitional Services	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 176,492	$ 41,383	$ 1,392,012	$ 10,568	$ 502,011	$ 2,122,466	$ 579,897	$ 349,555	$ 929,452	$ 3,051,918
Employee benefits	31,201	6,704	296,016	2,217	93,768	429,906	99,445	34,722	134,167	564,073
Payroll taxes	14,034	3,499	110,183	817	39,614	168,147	45,105	21,421	66,526	234,673
Total salaries and related expenses	221,727	51,586	1,798,211	13,602	635,393	2,720,519	724,447	405,698	1,130,145	3,850,664
Donated materials and food	-	-	806,842	-	-	806,842	-	-	-	806,842
Supplies	4,485	622	30,410	-	5,832	41,349	2,301	10,663	12,964	54,313
Food	63	50	93,382	25	136	93,656	1,181	993	2,174	95,830
Transportation	714	239	11,736	119	483	13,291	1,526	599	2,125	15,416
Utilities	3,193	22,528	94,434	3,445	65,064	188,664	9,577	3,192	12,769	201,433
Contract and professional services	32,746	14,185	132,524	1,280	130,209	310,944	212,659	34,075	246,734	557,678
Repairs and maintenance	5,216	28,406	175,560	16,515	23,793	249,490	17,598	6,190	23,788	273,278
Program materials	19,732	258	27,594	727	3,306	51,617	1,824	171	1,995	53,612
Telephone	2,780	6,487	78,461	5,110	7,577	100,415	11,636	17,866	29,502	129,917
Employee relations and training	16,052	741	21,715	-	12,793	51,301	12,058	5,437	17,495	68,796
Insurance	2,049	9,921	59,816	36,221	56,380	164,387	10,242	4,098	14,340	178,727
Printing, postage, and related expenses	-	-	-	-	-	-	-	205,563	205,563	205,563
Special event costs	-	-	-	-	-	-	-	51,270	51,270	51,270
Rent	6,630	1,734	64,350	3,867	1,565,202	1,641,783	11,220	4,364	15,584	1,657,367
Bad debt	-	1,038	-	-	14,521	15,559	-	-	-	15,559
Depreciation	755	32,602	22,045	202,009	1,208	258,619	3,775	1,510	5,285	263,904
Miscellaneous	755	326	13,535	779	15,664	31,059	2,083	820	2,903	33,962
Total functional expenses	**$ 316,897**	**$ 170,723**	**$ 3,430,615**	**$ 283,699**	**$ 2,537,561**	**$ 6,739,495**	**$ 1,022,127**	**$ 752,509**	**$ 1,774,636**	**$ 8,514,131**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services					Support Services			
	Affordable Housing	Emergency Shelter	Transitional Services	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 55,425	$ 1,250,855	$ 108,278	$ 537,666	$ 1,952,224	$ 626,396	$ 402,043	$ 1,028,439	$ 2,980,663
Employee benefits	12,385	315,638	25,755	125,286	479,064	107,448	60,160	167,608	646,672
Payroll taxes	4,898	114,748	11,040	47,645	178,331	56,101	26,357	82,458	260,789
Total salaries and related expenses	72,708	1,681,241	145,073	710,597	2,609,619	789,945	488,560	1,278,505	3,888,124
Donated materials and food	-	956,937	-	-	956,937	-	-	-	956,937
Supplies	205	18,481	814	5,436	24,936	3,934	8,555	12,489	37,425
Food	30	73,158	15	75	73,278	658	657	1,315	74,593
Transportation	676	9,823	415	1,868	12,782	835	680	1,515	14,297
Utilities	32,617	86,202	13,656	61,524	193,999	9,512	3,568	13,080	207,079
Contract and professional services	8,329	60,702	7,960	54,808	131,799	66,433	32,750	99,183	230,982
Repairs and maintenance	13,984	116,272	15,301	29,782	175,339	12,230	5,400	17,630	192,969
Program materials	102	21,598	2,583	8,165	32,448	4,377	170	4,547	36,995
Telephone	5,846	43,263	3,301	9,562	61,972	3,289	24,007	27,296	89,268
Employee relations and training	627	17,047	2,748	16,934	37,356	11,490	14,104	25,594	62,950
Insurance	10,233	50,747	37,178	63,219	161,377	3,625	3,624	7,249	168,626
Printing, postage, and related expenses	-	-	-	-	-	-	231,847	231,847	231,847
Special event costs	-	-	-	-	-	-	51,627	51,627	51,627
Rent	629	8,806	111,690	1,544,753	1,665,878	628	630	1,258	1,667,136
Bad debt	3,470	-	2,417	9,549	15,436	-	-	-	15,436
Depreciation	50,783	115,717	85,172	20,663	272,335	8,265	8,266	16,531	288,866
Miscellaneous	1,670	12,715	646	17,061	32,092	1,097	838	1,935	34,027
Total functional expenses	**$ 201,909**	**$ 3,272,709**	**$ 428,969**	**$ 2,553,996**	**$ 6,457,583**	**$ 916,318**	**$ 875,283**	**$ 1,791,601**	**$ 8,249,184**

See notes to financial statements.

Coalition on Temporary Shelter

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 2,197,783	$ 5,725,184
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	263,904	288,866
Related party receivables	(3,101,266)	-
Bad debt expense	15,559	15,436
Realized and unrealized gains on investments	(30,369)	(30,930)
Contributions restricted for long-term investment	(28,953)	(1,600,000)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(334,520)	(26,668)
Contributions and other receivables	253,953	(661,000)
Prepaid expenses and deposits	550,872	(609,517)
Accounts payable	604,689	469,449
Deferred revenue	(590)	(689)
Accrued wages and other liabilities	16,071	27,912
Deferred gain	1,659,357	-
Net cash and cash equivalents provided by operating activities	2,066,490	3,598,043
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,211,078)	(2,197,931)
Proceeds from disposition of property and equipment	95,000	-
Purchases of investments	(24,121)	(1,381,423)
Proceeds from sales and maturities of investments	4,326,865	596,427
Advances to related parties	(1,699,361)	-
Net cash and cash equivalents used in investing activities	(1,512,695)	(2,982,927)
Cash Flows Provided by Financing Activities - Receipts on contributions restricted for long-term investment	950,000	-
Net Increase in Cash and Cash Equivalents	1,503,795	615,116
Cash and Cash Equivalents - Beginning of year	2,110,748	1,495,632
Cash and Cash Equivalents - End of year	**$ 3,614,543**	**$ 2,110,748**
Significant Noncash Transactions (Note 12)		
Sale of property financed by a related party advance	$ 1,805,000	$ -
Related party developer fee receivable	1,296,266	-

Note 1 - Nature of Business

Coalition on Temporary Shelter (COTS or the "Organization") is a not-for-profit corporation whose sources of revenue are derived principally from public contributions, foundation grants, government grants, and the United Way. Coalition on Temporary Shelter, which was formed on May 19, 1982, provides housing and comprehensive support services for both homeless individuals and homeless families in southeastern Michigan. The Organization has two wholly owned subsidiaries, COTS Development Corporation and The Peterboro Arms GP, Inc., each of which is the primary beneficiary of a variable interest entity.

In February 2015, COTS became a managing member of MNH Development, LLC (MNH Development); there are three members. COTS has a 40 percent sharing ratio in MNH Development and appoints five of the seven board of manager members. MNH Development is a limited liability company organized to be the sole member of the managing member entities for various limited liability companies and to oversee the rehabilitation of certain affordable housing projects.

Michigan Nonprofit Housing Corporation (MNH Corporation) is a not-for-profit corporation that was incorporated on July 23, 1991 for the purpose of ownership, management, and/or development of housing facilities under provisions of Section 8 of the United States Housing Act of 1937 for persons of low and moderate income. COTS appoints all directors of MNH Corporation. During 2017, COTS obtained control over MNH Corporation.

The Peterboro Arms GP, Inc. (PAGP) is a wholly owned subsidiary of COTS formed to acquire an interest in real property for the purpose of ownership, development, and management of supportive housing facilities. PAGP is the primary beneficiary of an affiliated entity that qualifies as a variable interest entity - Peterboro Arms Limited Dividend Housing Development Association (Peterboro Arms LDHA) - through a 0.01 percent ownership interest.

The Organization has issued separate consolidated financial statements for the years ended June 30, 2019 and 2018. In addition to the separate consolidated financial statements, the accompanying parent-only financial statements are being issued for third parties that have a need for financial information of the Organization independent of the Organization's wholly owned subsidiaries and variable interest entities. Neither MNH Corporation; COTS Development Corporation; The Peterboro Arms GP, Inc; MNH Development, LLC; nor their respective variable interest entities are consolidated in the accompanying financial statements. Assets, liabilities, and net assets on a consolidated basis are $160,904,552 and $164,604,836 more, $112,255,686 and $117,103,065 more, and $48,648,866 and $47,501,771 more as of June 30, 2019 and 2018, respectively, than shown on these parent-only financial statements. Additional information regarding the variable interest entities and MNH Corporation is disclosed in Note 13.

The accompanying financial statements have been prepared on the accrual basis of accounting and include all material accounts receivable and payable, all other significant liabilities, and any substantial amounts received or committed for support of the Organization for future years.

Note 2 - Significant Accounting Policies

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Note 2 - Significant Accounting Policies (Continued)

The Organization maintains cash balances at three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, except for any accounts in money market funds or mutual funds. The Organization believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Organization evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Trade and Grant Receivables

The Organization’s accounts receivable balance at June 30, 2019 and 2018 is composed of rent from tenants in various housing programs and receivables from federal and state granting agencies for expenditures made in conjunction with grant agreements. A provision for uncollectible accounts has been made for all rent amounts deemed uncollectible by management. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The Organization has not recorded a provision for doubtful accounts for grant receivables since it is the opinion of management that those receivables are collectible in full.

Contributions Receivable

The Organization's contributions receivable are primarily composed of private donors, foundation and private grants, and allocations committed from various funding agencies for use in the Organization's activities. At June 30, 2019 and 2018, the Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Investments

Investments are presented in the financial statements at fair value. Both realized and unrealized gains and losses are reported in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are recorded at cost when purchased or, if donated, at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. The Organization capitalizes assets whose individual cost exceeds $1,000 and whose useful life is greater than one year. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Gain

During the year ended June 30, 2019, the Organization sold land and a building to Peterboro Arms LDHA, an entity under common control. Accounting guidance indicates that a gain or loss is not recognized when a transaction takes place between entities under common control. The deferred gain of $1,659,357 shall be recognized upon the sale of the land and building to an entity that is not under common control.

Endowment

The board of directors established an endowment fund, which can be altered or revoked at a future time by the board. The endowment balance represents moneys in mutual funds and money markets that have been set aside by the board of directors since its establishment. The endowment is recorded at fair value. See Notes 15 and 17 for additional information.

Note 2 - Significant Accounting Policies (Continued)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions with donor restrictions in the accompanying financial statements.

Grant Revenue

The Organization receives grant revenue through contracts with certain governmental agencies. Revenue under these contracts is recognized when earned. Deferred revenue is recorded when advance payments are received.

Reimbursement for Services

The Organization enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. Deferred revenue is recorded when advance payments are received.

Rental Income

The Organization leases space to tenants under short- and intermediate-term tenancies. Rental income is recognized in the period in which it is earned.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board. Board-designated net assets represent the establishment of an endowment fund and amounts set aside for the provision of supportive services for the Peterboro Arms LIHTC project for a 15-year period. At June 30, 2019 and 2018, the board-designated net assets for the endowment totaled $631,363 and $583,665, respectively. At June 30, 2019 and 2018, the board has designated $920,000 for the provision of supportive services to the LIHTC project. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Indirect and administrative expenses utilized by all employees, such as professional services, depreciation, insurance, utilities, repairs and maintenance, and supplies, are allocated on the basis of time and effort. All other expenses are directly tracked and reported by program area where the expense was incurred. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Federal Income Taxes

Coalition on Temporary Shelter is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 23, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. On March 16, 2020, the governor of Michigan issued an executive order temporarily closing certain nonessential businesses. As the Organization's services were considered essential, administrative offices remained open, and housing and supportive services continued to be offered. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation and the potential long-term impact on the financial markets, management's judgment regarding this could change in the future. In addition, while the Organization's activities, functional expenses, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In May 2020, the Organization received a Paycheck Protection Program term note of approximately $655,000. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The note structure required the Organization to certify certain statements that permitted it to qualify for the loan. The structure also provides for up to 100 percent of the borrowed amount to be forgiven if the loan proceeds are used for permitted purposes described in the agreement. Any portion not forgiven is required to be paid back in full over a two-year period in equal monthly installments at 1 percent interest. The Organization has the right to prepay the amount outstanding at any time without penalty.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Principle

As of July 1, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*, applied retrospectively to all years presented. This standard requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: net assets of $2,555,414 previously reported as temporarily restricted net assets and net assets of $324,042 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions. The Organization has adjusted the presentation of these statements accordingly.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization plans to apply the standard using the modified retrospective method. Management has assessed the various revenue streams of the Organization and determined that major revenue streams are not expected to be significantly impacted by the standard. However, financial statement disclosures will be significantly expanded as a result of the new standard.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon adoption, the Organization will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government, foundation, and individual grants and contributions.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not for profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements and there will be additional disclosures included for each category including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using the retrospective method.

Note 3 - Trade and Grants Receivable

Trade and grants receivable as of June 30 consist of the following:

	2019	2018
Federal grants	$ 812,451	$ 500,565
Interest	-	464
Rent and other	22,596	5,937
Trade and grant receivables - Gross	835,047	506,966
Less allowance for doubtful accounts	12,024	2,904
Net trade and grant receivables	$ 823,023	$ 504,062

Note 4 - Contributions Receivable

Contributions receivable as of June 30 consist of the following:

	2019	2018
Less than one year	$ 1,286,000	$ 1,752,750
One to five years	200,000	908,250
Total	$ 1,486,000	$ 2,661,000

Note 5 - In-kind Donations

Donated items received by the Organization and used in its programs have been reflected in the financial statements at their estimated fair values. Donated personal items that could not be used by the Organization were subsequently donated to other charitable organizations.

In-kind donations recognized by the Organization for the years ended June 30 are as follows:

	2019	2018
Food	$ 199,810	$ 198,753
Materials	607,032	762,599
Total in-kind donations	$ 806,842	$ 961,352

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land, buildings, and improvements	$ 8,127,303	$ 2,272,019	5-30
Machinery and equipment	66,040	59,532	3-7
Vehicles	134,207	134,207	5
Furniture and fixtures	898,057	681,438	3-10
Computer hardware	575,050	539,962	3-5
Construction in progress (project construction and renovation)	634,581	2,391,359	-
Total cost	10,435,238	6,078,517	
Accumulated depreciation	3,432,891	3,168,987	
Net property and equipment	$ 7,002,347	$ 2,909,530	

Depreciation expense for 2019 and 2018 was $263,904 and $288,866, respectively.

During 2018, COTS announced plans to sell its Peterboro location. In 2019, the Peterboro location was sold. The carrying value of the property was $240,643. As a result of the plans to sale, the carrying value of the Peterboro building was classified as assets held for sale on the balance sheet as of June 30, 2018.

Note 7 - Affordable Housing Program Obligation

In December 2001, the Organization received a loan from a bank under the Affordable Housing Program to assist in financing the purchase of an apartment complex and the conversion of it into permanent supportive housing. At June 30, 2019 and 2018, the obligation totals $350,000, bears no interest, and is not required to be repaid as long as the housing continues to be used as affordable housing, as outlined in the Organization's application of program funds, for a period of 15 years from the date of the completion of the renovations of the apartments. This period ends in 2020. It is the Organization's intent to comply with the time requirement. However, based on the restrictions of the loan, the amount has been recorded as an obligation of the Organization.

Note 8 - Line of Credit

The Organization has established an unsecured line of credit in the amount of $500,000, which matured on May 28, 2020. At June 30, 2019 and 2018, the interest rate on the line of credit was 5.50 and 5.00 percent, respectively. There were no amounts outstanding on the line of credit as of June 30, 2019 and 2018. Subsequent to year end, the line of credit was extended through May 28, 2021.

Note 9 - Commitments

Under the Organization's housing programs, the Organization guaranteed the lease payments of approximately 170 tenants in these programs during 2019 and 2018. Lease payments range from $360 to $1,700 per month. Total lease payments are $1,565,202 and $1,545,382 for 2019 and 2018, respectively. Lease terms are generally less than one year, with most being on a month-to-month basis.

Note 10 - Operating Leases

The Organization is obligated under an operating lease for office space, which expired in April 2020. Total rent expense under the lease was $75,906 and $12,600 for 2019 and 2018, respectively. Upon expiration of the lease, the Organization entered into a month-to-month lease arrangement.

Future minimum annual commitments under this operating lease are as follows:

Year Ending June 30	Amount
2020	$ 64,950

Note 11 - Retirement Plan

The Organization provides a defined contribution thrift plan for all employees. The plan expenses for the years ended June 30, 2019 and 2018 were approximately $127,000 and $131,000, respectively.

Note 12 - Related Party Transactions

COTS Development Corporation

The Organization purchased an apartment complex in July 2000 that was converted into permanent supportive housing. The property was sold to a limited partnership, of which COTS Development Corporation is the general partner, in exchange for a non-interest-bearing note receivable in the amount of $600,000.

At June 30, 2019 and 2018, the Organization has outstanding loans receivable from the limited partnership related to the renovation of the housing project in the amount of approximately $1,750,000, which includes the non-interest-bearing note receivable mentioned above. The loans receivable amount matures during 2025 and is non-interest bearing.

The limited partnership mentioned above leases space to the Organization for permanent supportive housing. Lease expenses totaled $53,865 and $51,249 in 2019 and 2018, respectively.

The Organization has contributed capital to the limited partnership totaling approximately $443,000 at June 30, 2019 and 2018.

MNH Corporation

Under the articles of incorporation of MNH Corporation, COTS annually receives a percentage of the MNH Corporation surplus cash. During 2019 and 2018, MNH Corporation contributions of excess cash to the Organization totaled approximately $3,000,000 and $5,200,000, respectively. These contributions are included in net assets without donor restrictions at June 30, 2019 and 2018.

Note 12 - Related Party Transactions (Continued)

Peterboro Arms GP, Inc.

During 2019, the Organization sold an apartment complex to Peterboro Arms LDHA, of which PAGP is the general partner, for the development of affordable housing. The sale was accomplished through the issuance of a promissory note in the amount of $1,805,000, maturing during 2053, with interest accrued annually at 3.02 percent. The Organization also entered into an additional promissory note with Peterboro Arms LDHA for $1,699,000, maturing during 2048, with interest accruing annually at 3.00 percent. Loans receivable are reported at the original issue amount less principal repaid. The Organization considers a financing loan receivable to be impaired when, based upon current information and events, it believes it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Organization does not have any loans considered to be impaired or uncollectible as of June 30, 2019 and 2018. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that the receivable is collectible in full.

Neither limited partnership mentioned above paid the Organization management or incentive fees during 2019 or 2018. However, during 2019, the Organization entered into a development fee agreement with Peterboro Arms LDHA whereby the Organization will perform certain services related to the development of the affordable housing project mentioned above. Developer fee revenue recognized under the terms of the agreement totaled $1,500,000 in 2019. Developer fee revenue receivable as of June 30, 2019 totaled $1,296,266.

Note 13 - Unconsolidated Affiliates and Variable Interest Entities

COTS Development Corporation is a for-profit entity, a wholly owned subsidiary of Coalition on Temporary Shelter, organized to oversee the development of an affordable housing project (see Notes 7 and 12). Construction of the project was completed and the project commenced operations during 2005. COTS Development Corporation is guarantor of the apartment project obligations through its ownership interests in the limited partnership, which are accounted for using the cost method. COTS Development Corporation may also be obligated to repay creditors of the limited partnership under normal partnership requirements. During the years ended June 30, 2019 and 2018, COTS Development Corporation had no activities other than those disclosed above.

The Organization, through COTS Development Corporation, is the primary beneficiary of an affiliated entity (COTS Limited Dividend Housing Association Limited Partnership) that qualifies as a variable interest entity. The Organization is guarantor of the obligations of the affiliated entity through its 0.01 percent ownership interest. The entity was formed to acquire an interest in real property and to purchase, rehabilitate, develop, maintain, and operate an affordable housing complex consisting of 35 units located in Detroit, Michigan. The project was completed and placed into service during 2005. As indicated in Note 12, the affiliated entity has several obligations owed to the Organization. The affiliated entity has also obtained a $1,500,000 unconditional loan from the City of Detroit HOME Investor Rehabilitation/New Construction Loan Program. This loan is guaranteed by the Organization.

Note 13 - Unconsolidated Affiliates and Variable Interest Entities (Continued)

In February 2015, COTS became a managing member of MNH Development, LLC (MNH Development); there are three members. COTS has a 40 percent sharing ratio in MNH Development and appoints five of the seven board of manager members. MNH Development is a limited liability company organized to be the sole member of the managing member entities for various limited liability companies and oversee the rehabilitation of certain affordable housing projects. Construction of the projects commenced during 2016. The managing member entities of each of the affordable housing projects have certain financial obligations under the operating agreements, including obligations to fund certain operating deficits should they occur and repay the investor contribution in the case of recaptured low-income housing tax credits. The managing member entities' financial obligations are irrevocably and unconditionally guaranteed by Michigan Nonprofit Housing Corporation. While the managing members still have an obligation under the operating agreements, if they are unable to fulfill their obligation, recourse is sought from the guarantee. Each of the managing member entities is the 0.01 percent managing member, and an investor member has the remaining 99.99 percent ownership interest in each of the affordable housing projects.

Michigan Nonprofit Housing Corporation is a not-for-profit corporation that was incorporated on July 23, 1991 for the purpose of ownership, management, and/or development of housing facilities under provisions of Section 8 of the United States Housing Act of 1937 for persons of low and moderate income. COTS appoints all directors of MNH Corporation. During 2017, COTS obtained control over MNH Corporation. Upon transfer of control, COTS recorded the activity of MNH Corporation in accordance with acquisition accounting.

The Peterboro Arms GP, Inc. is a for-profit entity, a wholly owned subsidiary of Coalition on Temporary Shelter, organized to oversee the development of an additional affordable housing project. The sale of the property to an affiliated entity - Peterboro Arms Limited Dividend Housing Association Limited Partnership - and the construction of the project began during 2019. The Organization, through The Peterboro Arms GP, Inc., is the primary beneficiary of the limited partnership, which also qualifies as a variable interest entity.

The following is summarized financial information of the affiliated entities as of and for the years ended June 30:

	2019	2018
Current assets	$ 27,484,139	$ 28,118,615
Long-term assets	133,420,413	136,486,221
Total assets	$ 160,904,552	$164,604,836
Current liabilities	$ 12,191,391	$ 12,442,922
Long-term liabilities	100,064,295	104,660,143
Total liabilities	$ 112,255,686	$117,103,065
Partner equity/net assets	$ 48,648,866	$ 47,501,771
Revenue	$ 17,852,919	$ 18,150,442
Operating expenses	(17,232,426)	(16,309,135)
Distributions	(7,556,634)	(13,080,080)
Capital contributions	8,892,186	11,532,330
Change in net assets	$ 1,956,045	$ 293,557

Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Subject to expenditures for a specified purpose:		
Accumulated earnings and gains on endowment	$ 25,234	$ 20,414
Capital projects	400,000	600,000
Passport to self sufficiency	277,000	24,000
Other	50,000	-
Total subject to expenditures for a specified purpose	752,234	644,414
Subject to the passage of time	761,000	1,911,000
Endowments with purpose restrictions	324,042	324,042
Total net assets with donor restrictions	$ 1,837,276	$ 2,879,456

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Purpose restrictions accomplished:		
Accumulated earnings and gains on endowment	$ 20,414	$ 33,620
Capital projects	201,225	-
Passport to self sufficiency	184,173	62,505
Other	23,564	62,192
Total purpose restrictions accomplished	429,376	158,317
Time restrictions expired	1,175,000	450,000
Total net assets released from net assets with donor restrictions	$ 1,604,376	$ 608,317

Note 15 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 631,363	$ -	$ 631,363
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	324,042	324,042
Accumulated investment gains	-	25,235	25,235
Total donor-restricted endowment funds	-	349,277	349,277
Total funds	$ 631,363	$ 349,277	$ 980,640

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 583,665	$ 344,457	$ 928,122
Investment return - Net	32,247	21,282	53,529
Contributions	20,168	3,953	24,121
Appropriation of endowment assets for expenditure	(4,717)	(20,415)	(25,132)
Endowment net assets - End of year	$ 631,363	$ 349,277	$ 980,640

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 583,665	$ -	$ 583,665
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	320,089	320,089
Accumulated investment gains	-	24,368	24,368
Total donor-restricted endowment funds	-	344,457	344,457
Total funds	$ 583,665	$ 344,457	$ 928,122

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 542,440	$ 357,662	$ 900,102
Investment return - Net	31,507	20,415	51,922
Contributions	18,863	-	18,863
Withdrawals	(4,380)	-	(4,380)
Appropriation of endowment assets for expenditure	(4,765)	(33,620)	(38,385)
Endowment net assets - End of year	$ 583,665	$ 344,457	$ 928,122

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2019 and 2018, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The following alternatives are not to be included in the portfolio: real estate (except in common stocks or convertible securities issued by companies that invest in real estate or interests therein or real estate investment trusts), venture capital, illiquid partnerships, tangible assets, options, futures, short selling, margin, and securities lending.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy that includes the option of appropriating for distribution each year 5 percent of the value of the endowment fund using a 12-quarter rolling average with the last quarter ending on the last day of the first quarter of the calendar year, which will be considered income and may be used for the upcoming fiscal year to fund operating expenses or programs. On an annual basis, the board of directors will determine with a majority vote whether to distribute all or a portion of the income to the General Fund of the Organization.

Note 16 - Liquidity and Availability of Resources

The following reflects, as of June 30, 2019, the Organization's financial assets available for general expenditures within one year of June 30, 2019, reduced by amounts that are not available due to donor restrictions or internal board of trustees designations. Management defines general expenditures as those expenditures that are budgeted to be incurred against operating revenue in the coming year as a part of operating expenses (which may include restricted expenditures expected within the coming fiscal year). Also included in general expenditures are expenditures budgeted as expected outlays for capital purchases over the fiscal year. Expenditures of board-designated resources can be considered general expenditures if expected within the next 12 months.

Cash and cash equivalents	$ 3,614,543
Accounts receivable	823,023
Contributions receivable	1,486,000
Investments	6,066,628
Endowment investments appropriated for current use	20,415
Other assets - related party receivable	6,550,308
Financial assets - At year end	18,560,917
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	449,277
Other assets - Related party receivable	6,550,308
Amounts set aside for liquidity reserve	5,816,628
Board designations:	
Quasi-endowment fund, primarily for long-term investing	631,363
Other	920,000
Financial assets available to meet cash needs for general expenditures within one year	$ 4,193,341

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was $5,816,628 as of June 30, 2019. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. The Organization realizes there could be unanticipated liquidity needs and, in the case of such a need, could also draw upon $500,000 of available lines of credit (as further discussed in Note 8) or its quasi-endowment fund.

Note 17 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Note 17 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during 2019 or 2018.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Organization to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Endowment investments:				
Municipal securities - Fixed income	$ 41,586	$ -	$ -	$ 41,586
Corporate bonds - Fixed income	100,621	-	-	100,621
Certificates of deposit	-	20,010	-	20,010
Total endowment investments	142,207	20,010	-	162,217
Investments - Certificates of deposit	-	2,186,512	-	2,186,512
Total assets	$ 142,207	$ 2,206,522	$ -	$ 2,348,729

Note 17 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Endowment investments:				
Municipal securities - Fixed income	$ 73,514	$ -	$ -	$ 73,514
Corporate bonds - Fixed income	47,676	-	-	47,676
Common stock	647,425	-	-	647,425
Certificates of deposit	-	39,501	-	39,501
Total endowment investments	768,615	39,501	-	808,116
Investments - Certificates of deposit	-	7,166,149	-	7,166,149
Total assets	$ 768,615	$ 7,205,650	$ -	$ 7,974,265

Excluded from the tables above is cash totaling $818,423 and $120,006 at June 30, 2019 and 2018, respectively, which is included in the endowment. At June 30, 2019 and 2018, the Organization also holds investments of $250,000 and $502,950, respectively, which consist of certificates of deposit, which are recognized on the balance sheet at carrying value. Additionally, excluded from the tables is cash of $3,630,115 and $2,722,422 at June 30, 2019 and 2018, respectively, which is included in investments.