COTS

Financial Report
June 30, 2023

Contents

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Independent Auditor's Report

To the Board of Directors
COTS

Report on the Audits of the Financial Statements

Qualified Opinion

We have audited the financial statements of COTS (the "Organization"), which comprise the balance sheet as of June 30, 2023 and 2022 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022 and changes in its 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.

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, these parent-only financial statements exclude entities that the Organization is required to consolidate in accordance with accounting principles generally accepted in the United States of America. The parent-only financial statements are being issued in addition to the 2023 and 2022 consolidated financial statements that include subsidiaries and variable interest entities. Information regarding the variable interest entities is disclosed in Note 15.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
COTS

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 on our consideration of COTS' 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 solely 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 effectiveness of COTS' internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering COTS' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 27, 2023

Balance Sheet

June 30, 2023 and 2022

		2023		2022
Assets				
Current Assets				
Cash and cash equivalents	$	1,656,264	$	3,079,572
Investments (Note 12)		7,034,178		5,703,169
Receivables:				
Trade and grant - Net (Note 3)		573,282		446,359
Contributions receivable (Note 4)		714,616		250,673
Prepaid expenses and other current assets		475,814		608,690
Total current assets		10,454,154		10,088,463
Long-term Receivables (Notes 4 and 14)				
Contributions receivable		-		136,173
Related party receivables		8,379,728		8,531,335
Total long-term receivables		8,379,728		8,667,508
Endowment (Notes 11 and 12)		1,181,684		1,048,284
Property and Equipment - Net (Note 6)		6,318,904		6,758,936
Right-of-use Operating Lease Assets - Net (Note 7)		24,785		-
Total assets	**$**	**26,359,255**	**$**	**26,563,191**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	170,822	$	271,875
Current portion of operating lease liabilities (Note 7)		8,517		-
Accrued wages		125,694		144,131
Other accrued liabilities		24,448		71,003
Total current liabilities		329,481		487,009
Operating Lease Liabilities - Net of current portion (Note 7)		16,268		-
Deferred Gain (Note 2)		1,659,357		1,659,357
Total liabilities		2,005,106		2,146,366
Net Assets				
Without donor restrictions:				
Undesignated		22,036,488		21,707,791
Board designated		1,559,154		1,544,764
Total without donor restrictions		23,595,642		23,252,555
With donor restrictions (Note 13)		758,507		1,164,270
Total net assets		24,354,149		24,416,825
Total liabilities and net assets	**$**	**26,359,255**	**$**	**26,563,191**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains (Losses), and Other Support						
Contributions	$ 1,990,565	$ 46,347	$ 2,036,912	$ 1,416,163	$ 117,426	$ 1,533,589
In-kind donations	106,303	-	106,303	85,972	-	85,972
Foundation and private grants	532,898	460,288	993,186	472,207	689,807	1,162,014
Federal grants	2,524,635	-	2,524,635	3,018,041	-	3,018,041
State grants	524,706	-	524,706	535,290	-	535,290
Reimbursement for services	94,600	-	94,600	3,885	-	3,885
Rental income	318,593	-	318,593	349,215	-	349,215
Net realized and unrealized gains (losses) on investments	77,948	45,650	123,598	(115,468)	(68,665)	(184,133)
Investment income (loss)	440,354	-	440,354	(57,778)	-	(57,778)
Gain (loss) on sale of fixed assets	425,000	-	425,000	(1,968)	-	(1,968)
Miscellaneous income	42,696	-	42,696	4,745	-	4,745
Total revenue, gains, and other support	7,078,298	552,285	7,630,583	5,710,304	738,568	6,448,872
Net assets released from restrictions	958,048	(958,048)	-	1,036,518	(1,036,518)	-
Total revenue, gains, other support, and net assets released from restrictions	8,036,346	(405,763)	7,630,583	6,746,822	(297,950)	6,448,872
Expenses						
Program services:						
Affordable housing	381,377	-	381,377	113,708	-	113,708
Counseling and housing support	613,449	-	613,449	550,674	-	550,674
Emergency shelter	3,267,142	-	3,267,142	3,032,990	-	3,032,990
Peterboro program services	-	-	-	44,623	-	44,623
Permanent supportive housing	2,753,409	-	2,753,409	2,699,836	-	2,699,836
Total program services	7,015,377	-	7,015,377	6,441,831	-	6,441,831
Support services:						
Management and general	520,753	-	520,753	424,678	-	424,678
Fundraising	946,651	-	946,651	796,778	-	796,778
Total support services	1,467,404	-	1,467,404	1,221,456	-	1,221,456
Total expenses	8,482,781	-	8,482,781	7,663,287	-	7,663,287
Decrease in Net Assets - Before other changes in net assets	(446,435)	(405,763)	(852,198)	(916,465)	(297,950)	(1,214,415)

See notes to financial statements.

Statement of Activities and Changes in Net Assets (Continued)

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other Changes in Net Assets without Donor Restrictions (Note 14)						
Contribution from Michigan Nonprofit Housing Corporation	$ 789,522	$ -	$ 789,522	$ 883,132	$ -	$ 883,132
Insurance proceeds from WGB fire loss	-	-	-	191,365	-	191,365
Total other changes in net assets without donor restrictions	789,522	-	789,522	1,074,497	-	1,074,497
Increase (Decrease) in Net Assets	343,087	(405,763)	(62,676)	158,032	(297,950)	(139,918)
Net Assets - Beginning of year	23,252,555	1,164,270	24,416,825	23,094,523	1,462,220	24,556,743
Net Assets - End of year	**$ 23,595,642**	**$ 758,507**	**$ 24,354,149**	**$ 23,252,555**	**$ 1,164,270**	**$ 24,416,825**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services					Support Services			
	Counseling and Housing Support	Affordable Housing	Emergency Shelter	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 428,008	$ 18,350	$ 1,731,352	$ 542,919	$ 2,720,629	$ 347,556	$ 352,948	$ 700,504	$ 3,421,133
Employee benefits	69,023	3,748	203,040	73,528	349,339	67,554	87,064	154,618	503,957
Payroll taxes	30,597	1,481	96,450	37,164	165,692	25,907	24,919	50,826	216,518
Total salaries and related expenses	527,628	23,579	2,030,842	653,611	3,235,660	441,017	464,931	905,948	4,141,608
Donated materials and food	-	-	106,303	-	106,303	-	-	-	106,303
Supplies	1,660	809	14,845	9,744	27,058	1,371	5,675	7,046	34,104
Food	2,264	73	102,071	434	104,842	1,083	2,051	3,134	107,976
Transportation	2,431	-	6,926	-	9,357	185	14	199	9,556
Utilities	6,087	13,211	86,654	61,000	166,952	1,319	363	1,682	168,634
Contract and professional services	16,814	44,938	204,224	17,188	283,164	34,429	34,015	68,444	351,608
Repairs and maintenance	13,923	25,097	167,938	12,876	219,834	5,323	34,225	39,548	259,382
Program materials	16,622	442	51,030	5,349	73,443	6,534	2,287	8,821	82,264
Telephone	6,902	2,054	43,675	10,131	62,762	3,651	18,505	22,156	84,918
Employee relations and training	15,964	417	41,506	11,569	69,456	14,652	27,710	42,362	111,818
Interest and insurance	288	12,573	59,765	87,000	159,626	1,027	410	1,437	161,063
Printing, postage, and related expenses	-	-	-	-	-	-	277,926	277,926	277,926
Special events	-	-	-	-	-	-	71,561	71,561	71,561
Rent	724	208	15,327	1,671,117	1,687,376	2,589	1,036	3,625	1,691,001
Bad debt	-	16,628	-	209,373	226,001	-	-	-	226,001
Depreciation	2,480	198,113	333,321	2,834	536,748	8,856	3,541	12,397	549,145
Miscellaneous	(338)	43,235	2,715	1,183	46,795	(1,283)	2,401	1,118	47,913
Total functional expenses	**$ 613,449**	**$ 381,377**	**$ 3,267,142**	**$ 2,753,409**	**$ 7,015,377**	**$ 520,753**	**$ 946,651**	**$ 1,467,404**	**$ 8,482,781**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services						Support Services			
	Counseling and Housing Support	Affordable Housing	Emergency Shelter	Peterboro Program Services	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 276,263	$ 30,979	$ 1,492,759	$ 26,775	$ 618,071	$ 2,444,847	$ 267,123	$ 271,275	$ 538,398	$ 2,983,245
Employee benefits	55,907	5,928	218,684	7,627	118,958	407,104	48,253	45,643	93,896	501,000
Payroll taxes	20,299	2,490	108,504	1,914	46,158	179,365	19,482	20,108	39,590	218,955
Total salaries and related expenses	352,469	39,397	1,819,947	36,316	783,187	3,031,316	334,858	337,026	671,884	3,703,200
Donated materials and food	-	-	85,972	-	-	85,972	-	-	-	85,972
Supplies	1,047	1,087	19,140	2,567	3,515	27,356	3,004	3,058	6,062	33,418
Food	436	422	119,259	1,056	1,234	122,407	2,409	572	2,981	125,388
Transportation	900	-	4,463	-	-	5,363	78	7	85	5,448
Utilities	51	19,893	87,724	-	59,030	166,698	2,551	102	2,653	169,351
Contract and professional services	33,655	6,500	160,077	660	61,005	261,897	40,053	30,264	70,317	332,214
Repairs and maintenance	11,579	7,852	191,727	573	7,546	219,277	5,727	23,147	28,874	248,151
Program materials	138,285	399	60,265	1,441	22,987	223,377	14,433	1,916	16,349	239,726
Telephone	3,826	3,617	48,647	344	9,983	66,417	4,564	15,897	20,461	86,878
Employee relations and training	4,849	157	14,059	-	5,262	24,327	4,611	11,362	15,973	40,300
Interest and insurance	318	13,503	58,143	127	81,278	153,369	1,588	636	2,224	155,593
Printing, postage, and related expenses	-	-	-	-	-	-	-	303,175	303,175	303,175
Special events	-	-	-	-	-	-	-	60,351	60,351	60,351
Rent	225	180	6,570	90	1,626,003	1,633,068	1,125	4,700	5,825	1,638,893
Bad debt	-	6,097	-	-	29,281	35,378	-	-	-	35,378
Depreciation	1,763	18,135	343,123	705	2,820	366,546	8,815	3,526	12,341	378,887
Miscellaneous	1,271	(3,531)	13,874	744	6,705	19,063	862	1,039	1,901	20,964
Total functional expenses	**$ 550,674**	**$ 113,708**	**$ 3,032,990**	**$ 44,623**	**$ 2,699,836**	**$ 6,441,831**	**$ 424,678**	**$ 796,778**	**$ 1,221,456**	**$ 7,663,287**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Decrease in net assets	$ (62,676)	$ (139,918)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	549,145	378,887
Gain on disposal of property and equipment	(425,000)	1,968
Bad debt expense	226,001	35,378
Realized and unrealized (gains) losses on investments	(123,598)	182,502
Endowment contributions	(12,027)	(11,781)
Forgiveness on mortgage	-	(350,000)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(352,924)	424,781
Contributions and other receivable	(315,743)	434,022
Prepaid expenses and other assets	132,876	(24,309)
Accounts payable	(101,053)	(141,590)
Accrued wages	(18,437)	(176,007)
Other accrued liabilities	(46,555)	35,421
Net cash and cash equivalents (used in) provided by operating activities	(549,991)	649,354
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	390,540	-
Purchase of property and equipment	(74,653)	(451,137)
Proceeds from insurance	-	191,365
Purchases of investments	(2,602,056)	(1,414,781)
Proceeds from sales and maturities of investments	1,261,245	1,626,604
Advances to related parties	151,607	355,842
Net cash and cash equivalents (used in) provided by investing activities	(873,317)	307,893
Net (Decrease) Increase in Cash and Cash Equivalents	(1,423,308)	957,247
Cash and Cash Equivalents - Beginning of year	3,079,572	2,122,325
Cash and Cash Equivalents - End of year	**$ 1,656,264**	**$ 3,079,572**

See notes to financial statements.

Note 1 - Nature of Business

COTS (the "Organization") is a not-for-profit corporation whose sources of revenue are derived principally from public contributions, foundation grants, and government grants. COTS, which was formed on May 19, 1982, provides housing and comprehensive support services for both homeless individuals and homeless families in southeastern Michigan. COTS formally changed its name from Coalition on Temporary Shelter to COTS on July 1, 2022. The Organization has two wholly owned subsidiaries, COTS Development Corporation (COTS DC) and The Peterboro Arms GP, Inc. (PAGP), which are each the primary beneficiary of a limited dividend housing association entity, including COTS Limited Dividend Housing Association Limited Partnership (COTS LDHA) and Peterboro Arms Limited Dividend Housing Association Limited Partnership (Peterboro Arms LDHA), respectively. The Organization is a managing member of MNH Development, LLC (MNH Development), which is the sole member of five managing member entities (collectively, the "LLCs") that comprise a variable interest entity for the Organization. The Organization has control over Michigan Nonprofit Housing Corporation (MNH Corporation).

The Organization and its affiliates described above have issued separate consolidated financial statements for the years ended June 30, 2023 and 2022. 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 unconsolidated affiliates and variable interest entities. Neither COTS DC, PAGP, COTS LDHA, MNH Development, MNH Corporation, nor the variable interest entities are consolidated in the accompanying financial statements. Assets, liabilities, and net assets on a consolidated basis are $147,492,286 and $148,413,872 more, $99,134,259 and $99,655,160 more, and $48,358,027 and $48,758,712 more, respectively, than shown on these parent-only financial statements as of June 30, 2023 and 2022, respectively. Additional information regarding the unconsolidated affiliates and the variable interest entities is disclosed in Note 15.

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 Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding money market funds held in the investment portfolio.

The Organization maintains cash balances at various 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, 2023 and 2022 is composed of rent from tenants in various housing programs and receivables from federal and state grant 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.

Note 2 - Significant Accounting Policies (Continued)

Contributions Receivable

The Organization's contributions receivable are composed primarily of private donors, foundation and private grants, and allocations committed from various funding agencies for use in the Organization's activities. At June 30, 2023 and 2022, the Organization has not recorded a provision for doubtful accounts, as management expects the contributions receivable to be collected 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.

Investment Risks and Uncertainties

The Organization invests in various investment securities, including fixed-income securities and equity securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Related Party Receivables

Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. An allowance for loan losses is determined based on a specific assessment of all notes that are delinquent or determined to be doubtful to be collected. Notes are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made.

At June 30, 2023, notes receivable represent various related party notes, as disclosed in Note 14. 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, 2023 and 2022. At June 30, 2023 and 2022, the interest receivable is included in the related party receivable balance on the balance sheet. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that the receivable is collectible in full.

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.

Leases

The Organization has operating leases related to internet equipment rental, shelter washers and dryers, water coolers, rugs, and postage machines. The Organization recognizes expense for operating leases on a straight-line basis over the lease term. The Organization made a policy election not to separate lease and nonlease components; therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

COTS elected to use the incremental borrowing rate as prescribed by the Organization's line of credit, as described in Note 8, as the discount rate for calculating the right-of-use asset and lease liability.

Note 2 - Significant Accounting Policies (Continued)

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. The Organization has no plans in place for sale of the land and building as of June 30, 2023.

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 conditions are met, such as incurring eligible expenses. Deferred revenue is recorded when advance payments are received.

At June 30, 2023 and 2022, the Organization had remaining award balances on governmental conditional grants of $2,041,524 and $1,384,421, respectively. These award balances are not recognized as assets and will be recognized as revenue as the contracts progress and conditions are substantially met, generally as expenses are incurred.

Rental Income

The Organization leases space to tenants under short- and intermediate-term tenancies, which are accounted for as operating leases. A portion of the rental income is in the form of subsidy payments from HUD. Rental revenue is recognized on an accrual basis when due from tenants. Rental payments are primarily due monthly.

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, where 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.

Note 2 - Significant Accounting Policies (Continued)

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 projects for a 15-year period. At June 30, 2023 and 2022, the board-designated net assets for the endowment totaled $792,487 and $716,764, respectively. At June 30, 2023 and 2022, the board has designated $766,667 and $828,000, respectively, for the provision of supportive services to the Peterboro Arms LIHTC projects. These designations are based on board actions, which can be altered or revoked at a future time by the board.

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 program and support services based on estimates determined by management. Indirect and administrative expenses utilized by all employees, such as professional services, insurance, repairs and maintenance, and supplies, are allocated on the basis of time and effort. Other expenses utilized by all employees, such as occupancy, depreciation, and utilities, are allocated on the basis of employee headcount. Remaining 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

COTS is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of the 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Impairment of Assets

The Organization recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment was recorded during 2023 and 2022.

Adoption of New Accounting Pronouncement

As of July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. 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. The ASU did not significantly change the accounting requirements for lessors. The Organization elected to adopt the ASU using the modified retrospective method as of July 1, 2022 and applied the following practical expedients:

- The Organization did not reassess if expired or existing contracts are or contain a lease.
- The Organization did not reassess the lease classification for expired or existing leases.
- The Organization did not reassess initial direct costs for any existing leases.

Note 2 - Significant Accounting Policies (Continued)

As a result of the adoption of the ASU, the Organization recorded a right-of-use asset of and lease liability of $28,262 as of July 1, 2022 for the existing operating leases. There was no impact on net assets as a result of adopting the new ASU.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Organization's accounts receivable, by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Organization's year ending June 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of year net assets in the year of adoption. The Organization does not believe the adoption of the new standard will have a significant effect on the financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 27, 2023, which is the date the financial statements were available to be issued.

Note 3 - Trade and Grants Receivable

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

	2023	2022
Federal grants	$ 470,303	$ 399,057
Rent and other	129,746	61,526
Gross accounts receivable	600,049	460,583
Allowance for doubtful accounts	(26,767)	(14,224)
Net accounts receivable	$ 573,282	$ 446,359

Note 4 - Contributions Receivable

Contributions receivable comprise several unconditional promises to give. They are included as follows:

	2023	2022
Gross promises to give	$ 714,616	$ 386,846
Amounts due in:		
Amounts due in - Less than one year	$ 714,616	$ 250,673
One to five years	-	136,173
Total	$ 714,616	$ 386,846

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. Contributed clothing and goods items are valued at the amount designated by the donor with a 70 percent deflation factor applied. In the case where a donor does not provide a value of the goods, they are valued at $1. It is assumed that 10 percent of the goods will not be used, and, thus, a 10 percent obsolescence factor is applied after the total donation amount is determined. Food is valued at $1 per item, unless value is provided by the donor. Donated food, clothing, and goods are used by the Emergency Shelter and Supportive Housing programs. 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:

	2023	2022
Food	$ 9,893	$ 23,190
Materials	96,410	62,782
Total in-kind contributions	$ 106,303	$ 85,972

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Land, buildings, and improvements	$ 8,824,739	$ 9,078,531	5-30
Machinery and equipment	63,818	63,818	3-7
Vehicles	93,707	134,207	5
Furniture and fixtures	917,488	936,758	3-10
Computer equipment	703,217	694,839	3-5
Construction in progress	26,759	210,811	-
Total cost	10,629,728	11,118,964	
Less accumulated depreciation	4,310,824	4,360,028	
Net property and equipment	$ 6,318,904	$ 6,758,936	

Depreciation expense for 2023 and 2022 was $549,145 and $378,887, respectively.

Note 7 - Leases

The Organization is obligated under operating leases primarily for certain shelter and office equipment, expiring at various dates ranging from October 2023 through May 2028. The right-of-use asset and related lease liability have been calculated using the discount rate of 7.25 percent. Total rent expense under these leases was $9,753 and $8,811 for 2023 and 2022, respectively. Cash paid for amounts included in the measurement of lease liabilities was $9,753 for the year ended June 30, 2023. At June 30, 2023, the weighted-average remaining lease term was 2.18 years.

The Organization has operating leases for tenants under short- and intermediate-term tenancies with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability. Total expense related to short-term leases was $1,681,248 and $1,630,082 for 2023 and 2022, respectively.

Note 7 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2024	$ 10,216
2025	9,192
2026	6,741
2027	804
2028	602
Total	27,555
Less amount representing interest	2,770
Present value of net minimum lease payments	24,785
Less current obligations	8,517
Long-term obligations under leases	$ 16,268

Note 8 - Line of Credit

The Organization has established an unsecured line of credit in the amount of $500,000, which matures on May 28, 2024. At June 30, 2023 and 2022, the effective interest rate on the line of credit was 7.34 and 3.25 percent, respectively. There were no amounts outstanding on the line of credit as of June 30, 2023 and 2022.

Note 9 - Commitments

Under the Organization's housing programs, the Organization guaranteed the lease payments of approximately 170 and 180 tenants in these programs during 2023 and 2022, respectively. Lease payments range from $375 to $1,275 per month. Total lease payments are $1,663,609 and $1,626,003 for 2023 and 2022, respectively. Lease terms are generally less than one year, with most being on a month-to-month basis.

Note 10 - Retirement Plans

The Organization has a defined contribution thrift plan for all eligible employees. The thrift plan expenses for the years ended June 30, 2023 and 2022 were approximately $114,000 and $102,000, respectively.

Note 11 - Donor-restricted and Board-designated Endowments

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

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

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 net assets with donor restrictions (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 donor-restricted endowment fund 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
- 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, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 792,487	$ -	$ 792,487
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 (losses), appropriations, and other donor-restricted gift amounts	-	65,155	65,155
Total donor-restricted endowment funds	-	389,197	389,197
Total funds	$ 792,487	$ 389,197	$ 1,181,684

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 716,764	$ 331,520	$ 1,048,284
Investment return - Net	77,948	45,650	123,598
Contributions	-	12,027	12,027
Appropriation of endowment assets for expenditure	(2,225)	-	(2,225)
Endowment net assets - End of year	$ 792,487	$ 389,197	$ 1,181,684

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 716,764	$ -	$ 716,764
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 (losses), appropriations, and other donor-restricted gift amounts	-	7,478	7,478
Total donor-restricted endowment funds	-	331,520	331,520
Total funds	$ 716,764	$ 331,520	$ 1,048,284

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 835,018	$ 438,390	$ 1,273,408
Investment loss - Net	(115,468)	(68,665)	(184,133)
Contributions	-	11,781	11,781
Appropriation of endowment assets for expenditure	(2,786)	(49,986)	(52,772)
Endowment net assets - End of year	$ 716,764	$ 331,520	$ 1,048,284

Funds with Deficiencies

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, 2023 and 2022, 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 directors, 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.

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

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 funds designated by the board of directors using a 20-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 earned on the funds designated by the board of directors to the General Fund of the Organization. Distributions from the donor-restricted endowment funds will be made upon the approval of the board of directors based on the average of yearly returns of the previous five years.

Note 12 - 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.

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.

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.

Note 12 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 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, 2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2023
Endowment investments:			
Corporate bonds - Fixed income	$ 318,533	$ -	$ 318,533
Equities - Common stock	850,228	-	850,228
Total endowment investments	1,168,761	-	1,168,761
Investments:			
Corporate bonds - Fixed income	740,992	3,095,031	3,836,023
Equities - Common stock	1,927,054	-	1,927,054
Total investments	2,668,046	3,095,031	5,763,077
Total assets	$ 3,836,807	$ 3,095,031	$ 6,931,838

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2022
Endowment investments:			
Corporate bonds - Fixed income	$ 296,092	$ -	$ 296,092
Equities - Common stock	738,476	-	738,476
Total endowment investments	1,034,568	-	1,034,568
Investments:			
Corporate bonds - Fixed income	76,972	3,794,376	3,871,348
Equities - Common stock	176,457	-	176,457
Total investments	253,429	3,794,376	4,047,805
Total assets	$ 1,287,997	$ 3,794,376	$ 5,082,373

Excluded from the tables above at June 30, 2023 and 2022 are endowment cash balances totaling $12,923 and $13,716, respectively. Additionally, excluded from the tables are cash and cash equivalents, including a money market account and deposits, totaling $1,271,101 and $1,655,364 at June 30, 2023 and 2022, respectively, which are included in the investments balance on the balance sheet.

The fair value of corporate bonds at June 30, 2023 and 2022 was determined based on quoted market prices and other market data for the same or comparable instruments.

Note 13 - Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditures for a specified purpose:		
Accumulated earnings and gains on endowment	$ 65,155	$ 7,478
Passport to self-sufficiency	23,150	206,635
Youth activities*	12,713	126,487
Infant care*	143,727	314,252
Other	189,720	185,376
Total subject to expenditures for a specified purpose	434,465	840,228
Endowments with purpose restrictions	324,042	324,042
Total net assets with donor restrictions	$ 758,507	$ 1,164,270

*A portion of these amounts is also time restricted.

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

	2023	2022
Purpose restrictions accomplished:		
Appropriation of endowment assets for expenditure	$ -	$ 49,986
Passport to self-sufficiency	414,661	317,102
Youth activities	228,337	238,820
Infant care	190,579	199,204
Other	124,471	231,406
Total	$ 958,048	$ 1,036,518

Note 14 - Related Party Transactions

COTS LDHA

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

At June 30, 2023 and 2022, the Organization has outstanding loans receivable from COTS LDHA related to the renovation of the housing project in the amount of $1,749,681, which includes the note receivable mentioned above. The loans receivable amount matures during 2025 and is non-interest bearing. 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, 2023 and 2022; thus, no provision for doubtful accounts has been recorded.

COTS LDHA leased space to the Organization for permanent supportive housing. Lease expenses totaled $116,703 and $113,708 in 2023 and 2022, respectively. The lease term ended in June 2023 and was not renewed by COTS.

MNH Corporation

Under the articles of incorporation of MNH Corporation, COTS annually receives a percentage of MNH Corporation's surplus cash. During 2023 and 2022, MNH Corporation contributions of excess cash to the Organization totaled approximately $195,692 and $312,219, respectively.

Note 14 - Related Party Transactions (Continued)

MNH Development

In accordance with the operating agreement of MNH Development, COTS received a contribution of $593,830 and $570,913 for the years ended June 30, 2023 and 2022, respectively.

Peterboro Arms LDHA

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 with an outstanding balance at June 30, 2023 and 2022 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, with an outstanding balance at June 30, 2023 and 2022 of $1,023,762 and $1,279,529, respectively, maturing during 2048 and interest accruing annually at 3.00 percent. Loans receivable are reported at the original issue amount less principal repaid. As of June 30, 2023 and 2022, interest on the notes due to the Organization was $515,298 and $411,138, respectively.

The Organization paid construction-related costs on behalf Peterboro Arms LDHA, which are due on demand and bear no interest. At June 30, 2023 and 2022, $3,159,824 was due from Peterboro Arms LDHA.

The Organization entered into a development fee agreement with Peterboro Arms LDHA where the Organization will perform certain services related to the development of the aforementioned affordable housing project. Developer fee revenue recognized in prior periods totaled $1,500,000. Developer fee revenue receivable as of June 30, 2023 and 2022 totaled $126,163.

Total related party receivables as of June 30, 2023 and 2022 were as follows:

	2023	2022
Construction costs due from Peterboro Arms LDHA	$ 3,159,824	$ 3,159,824
Loan receivable due from COTS LDHA LP	1,749,681	1,749,681
Notes receivables due from Peterboro Arms LDHA	2,828,762	3,084,529
Related party interest receivable	515,298	411,138
Developer fee due from Peterboro Arms LDHA	126,163	126,163
Total	$ 8,379,728	$ 8,531,335

Note 15 - Unconsolidated Affiliates and Variable Interest Entities

COTS DC, a wholly owned subsidiary of the Organization, is a for-profit entity organized to oversee the development of an affordable housing project (see Note 14). Construction of the project was completed, and the project commenced operations during 2005. COTS DC is guarantor of the apartment project obligations through its ownership interests in the limited partnership. COTS DC may also be obligated to repay creditors of the limited partnership under normal partnership requirements. COTS DC is the primary beneficiary of the affiliated entity, COTS LDHA, through a 0.01 percent ownership interest. COTS LDHA obtained a $1,500,000 unconditional loan from the City of Detroit HOME Investor Rehabilitation/New Construction Loan Program, which is guaranteed by the Organization. Effective December 31, 2019, COTS was assigned the 99.99 percent limited partnership interest, representing the limited partner's entire interest. The assignment resulted in the Organization obtaining a controlling interest in COTS LDHA and COTS LDHA no longer being a variable interest entity. During the years ended June 30, 2023 and 2022, COTS DC had no activities other than those disclosed in Note 14.

PAGP is a for-profit entity and wholly owned subsidiary of the Organization organized to oversee the development of an affordable housing apartment project, the construction of which began in 2018. PAGP is guarantor of the apartment project obligations through its ownership interest in Peterboro Arms Limited Dividend Housing Association Limited Partnership. PAGP may also be obligated to repay creditors of the limited partnership under normal partnership requirements.

Peterboro Arms LDHA was formed as a limited partnership in March 2016 to exclusively provide housing facilities for persons of low and moderate income and particularly those classified as homeless or with special needs. To this end, the partnership acquired and began operating a 56-unit affordable housing complex in Detroit, Michigan during the year ended June 30, 2021. Peterboro Arms LDHA is a VIE for which PAGP is the primary beneficiary.

In February 2015, the Organization became a managing member of MNH Development; there are three members. The Organization 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 credit. 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.

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. The Organization appoints all directors of MNH Corporation. During 2017, the Organization obtained control over MNH Corporation. Upon transfer of control, the Organization recorded the activity of MNH Corporation in accordance with acquisition accounting.

Note 15 - Unconsolidated Affiliates and Variable Interest Entities (Continued)

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

	2023	2022
Current assets	$ 27,959,500	$ 26,619,794
Property and equipment	119,532,786	121,794,078
Total assets	$ 147,492,286	$ 148,413,872
Current liabilities	$ 3,380,312	$ 3,522,178
Long-term debt	95,753,947	96,132,982
Total liabilities	$ 99,134,259	$ 99,655,160
Partner equity/Net assets	$ 48,358,027	$ 48,758,712
Revenue	$ 21,292,104	$ 20,563,891
Operating expenses	(20,570,938)	(20,087,605)
Contributions from MNH Corporation	(789,522)	(883,132)
Capital contributions	126,163	9,870,091
Distributions	(458,493)	(626,914)
Change in net assets	$ (400,686)	$ 8,836,331

Note 16 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets available for general expenditures within one year of June 30, reduced by amounts that are not available due to donor restrictions or internal board of directors' designations. General expenditures are those expenditures that are budgeted to be incurred against operating revenue in the coming year as a part of operating expenses (which may include expenditures of amounts released from restrictions). 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.

Note 16 - Liquidity and Availability of Resources (Continued)

	2023	2022
Cash and cash equivalents	$ 1,656,264	$ 3,079,572
Trade and grants receivable	573,282	446,359
Contributions receivable	714,616	386,846
Investments	7,034,178	5,703,169
Endowment	1,181,684	1,048,284
Deposits	401,199	536,992
Related party receivable	8,379,728	8,531,335
Financial assets - At year end	19,940,951	19,732,557
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	-	136,173
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	324,042	324,042
Amounts set aside for liquidity reserve	6,007,684	5,703,169
Deposits	401,199	536,992
Related party receivable	8,379,728	8,531,335
Board designations:		
Quasi-endowment fund, primarily for long-term investing	792,487	716,764
Amounts set aside for LIHTC projects	766,667	828,000
Financial assets available to meet cash needs for general expenditures within one year	$ 3,269,144	$ 2,956,082

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization is substantially supported by conditional contributions from grant revenue. 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. 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. In 2023, the Organization evaluated the amounts included in the liquidity reserve and determined an additional fund should be included. The 2022 amount has been updated to conform to the 2023 presentation, which increased the reserve and decreased financial assets available for general expenditures within one year by approximately $1.4 million.

The Organization also realizes there could be unanticipated liquidity needs and, in the case of such a need, could also draw upon $500,000 of the available line of credit (as discussed in Note 8) or its quasi-endowment fund.