
COTS

Financial Report
June 30, 2025

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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, 2025 and 2024 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, 2025 and 2024 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 2025 and 2024 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 January 16, 2026 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.



January 16, 2026

Balance Sheet

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,394,886	\$ 780,206
Investments (Note 12)	9,741,949	6,367,334
Receivables:		
Trade and grant - Net (Note 3)	1,220,987	1,196,383
Contributions receivable (Note 4)	426,697	1,549,988
Other accounts receivable	-	320,695
Escrows and other current assets	259,624	217,207
Total current assets	13,044,143	10,431,813
Long-term Receivable (Note 14)	6,657,461	7,477,884
Property and Equipment - Net (Note 6)	6,029,422	6,238,260
Endowment (Notes 11 and 12)	1,417,876	1,287,409
Right-of-use Operating Lease Assets - Net (Note 7)	60,375	107,650
Total assets	\$ 27,209,277	\$ 25,543,016
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 135,888	\$ 176,031
Current portion of operating lease liabilities (Note 7)	48,166	47,275
Accrued wages	82,095	112,945
Other accrued liabilities	24,448	24,448
Total current liabilities	290,597	360,699
Operating Lease Liabilities - Net of current portion (Note 7)	12,209	60,375
Deferred Gain (Note 2)	1,659,357	1,659,357
Deferred Developer Fee (Note 14)	249,556	-
Total liabilities	2,211,719	2,080,431
Net Assets		
Without donor restrictions:		
Controlling interest - Undesignated	22,348,952	20,361,662
Controlling interest - Board designated	1,629,667	1,587,006
Total without donor restrictions	23,978,619	21,948,668
With donor restrictions (Note 13)	1,018,939	1,513,917
Total net assets	24,997,558	23,462,585
Total liabilities and net assets	\$ 27,209,277	\$ 25,543,016

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains (Losses), and Other Support						
Contributions	\$ 1,300,684	\$ 88,203	\$ 1,388,887	\$ 1,226,118	\$ 106,331	\$ 1,332,449
In-kind donations	67,628	-	67,628	59,425	-	59,425
Foundation and private grants	3,216,161	178,720	3,394,881	454,013	1,153,849	1,607,862
Federal grants	3,841,395	-	3,841,395	3,469,681	-	3,469,681
State grants	540,160	-	540,160	519,198	-	519,198
Reimbursement for services	22,711	-	22,711	45,137	-	45,137
Rental income	277,104	-	277,104	322,665	-	322,665
Net realized and unrealized gains and losses on investments	739,729	55,011	794,740	644,633	50,015	694,648
Investment income - Net	189,928	-	189,928	208,285	-	208,285
Miscellaneous income (loss)	39,477	-	39,477	(174)	-	(174)
Total revenue, gains, and other support	10,234,977	321,934	10,556,911	6,948,981	1,310,195	8,259,176
Net assets released from restrictions	816,913	(816,913)	-	554,785	(554,785)	-
Total revenue, gains (losses), other support, and net assets released from restrictions	11,051,890	(494,979)	10,556,911	7,503,766	755,410	8,259,176
Expenses						
Program expenses:						
Affordable housing	-	-	-	876,419	-	876,419
Counseling and housing support	665,787	-	665,787	582,508	-	582,508
Emergency shelter	3,535,494	-	3,535,494	3,359,016	-	3,359,016
Permanent supportive housing	3,673,769	-	3,673,769	3,516,292	-	3,516,292
Total program expenses	7,875,050	-	7,875,050	8,334,235	-	8,334,235
Support services:						
Management and general	823,301	-	823,301	580,023	-	580,023
Fundraising	1,042,060	-	1,042,060	972,024	-	972,024
Total support services	1,865,361	-	1,865,361	1,552,047	-	1,552,047
Total expenses	9,740,411	-	9,740,411	9,886,282	-	9,886,282
Increase (Decrease) in Net Assets - Before other changes in net assets	1,311,479	(494,979)	816,500	(2,382,516)	755,410	(1,627,106)
Other Changes in Net Assets without Donor Restrictions -						
Contribution from Michigan Nonprofit Housing Corporation (Note 14)	718,473	-	718,473	735,542	-	735,542
Increase (Decrease) in Net Assets	2,029,952	(494,979)	1,534,973	(1,646,974)	755,410	(891,564)
Net Assets - Beginning of year	21,948,668	1,513,917	23,462,585	23,595,642	758,507	24,354,149
Net Assets - End of year	\$ 23,978,620	\$ 1,018,938	\$ 24,997,558	\$ 21,948,668	\$ 1,513,917	\$ 23,462,585

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services				Support Services			Total
	Counseling and Housing Support	Emergency Shelter	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 437,999	\$ 1,689,366	\$ 812,769	\$ 2,940,134	\$ 467,684	\$ 447,521	\$ 915,205	\$ 3,855,339
Employee benefits	56,255	282,697	156,599	495,551	85,875	80,588	166,463	662,014
Payroll taxes	28,487	113,966	57,627	200,080	32,355	33,125	65,480	265,560
Total salaries and related expenses	522,741	2,086,029	1,026,995	3,635,765	585,914	561,234	1,147,148	4,782,913
Donated materials and food	-	67,628	-	67,628	-	-	-	67,628
Supplies	1,322	14,920	1,380	17,622	1,413	1,684	3,097	20,719
Food	4,370	187,254	946	192,570	1,342	859	2,201	194,771
Transportation	1,577	422	3	2,002	143	15	158	2,160
Utilities	3,217	97,239	88,194	188,650	279	21	300	188,950
Contract and professional services	41,828	251,844	243,702	537,374	101,511	39,983	141,494	678,868
Repairs and maintenance	24,174	164,641	6,621	195,436	8,311	68,393	76,704	272,140
Program materials	50,919	161,831	706	213,456	70,933	3,315	74,248	287,704
Telephone	6,010	38,432	14,234	58,676	3,288	13,422	16,710	75,386
Employee relations and training	2,506	26,457	20,638	49,601	15,901	5,844	21,745	71,346
Interest and insurance	294	68,747	93,873	162,914	1,050	420	1,470	164,384
Printing, postage, and related expenses	1,492	-	-	1,492	-	278,315	278,315	279,807
Special events	-	-	-	-	-	60,933	60,933	60,933
Rent	769	16,248	2,141,275	2,158,292	2,745	1,098	3,843	2,162,135
Bad debt	-	-	29,228	29,228	15,038	-	15,038	44,266
Depreciation	2,357	305,426	3,368	311,151	8,418	3,368	11,786	322,937
Miscellaneous	2,211	48,376	2,606	53,193	7,015	3,156	10,171	63,364
Total functional expenses	\$ 665,787	\$ 3,535,494	\$ 3,673,769	\$ 7,875,050	\$ 823,301	\$ 1,042,060	\$ 1,865,361	\$ 9,740,411

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Expenses				Support Services				Total
	Counseling and Housing Support	Affordable Housing	Emergency Shelter	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 394,917	\$ -	\$ 1,664,904	\$ 768,349	\$ 2,828,170	\$ 404,924	\$ 420,569	\$ 825,493	\$ 3,653,663
Employee benefits	68,335	-	259,782	112,587	440,704	57,012	64,032	121,044	561,748
Payroll taxes	29,398	-	116,292	57,743	203,433	28,364	32,493	60,857	264,290
Total salaries and related expenses	492,650	-	2,040,978	938,679	3,472,307	490,300	517,094	1,007,394	4,479,701
Donated materials and food	-	-	59,425	-	59,425	-	-	-	59,425
Supplies	1,360	-	8,326	23,121	32,807	872	5,417	6,289	39,096
Food	5,111	-	156,852	1,962	163,925	1,421	1,560	2,981	166,906
Transportation	1,086	-	709	30	1,825	168	714	882	2,707
Utilities	2,634	-	89,202	82,946	174,782	228	18	246	175,028
Contract and professional services	25,348	-	210,668	81,004	317,020	37,245	34,354	71,599	388,619
Repairs and maintenance	21,030	-	189,481	19,754	230,265	6,350	60,348	66,698	296,963
Program materials	18,884	-	116,943	12,961	148,788	14,124	7,333	21,457	170,245
Telephone	6,237	-	41,300	15,754	63,291	3,139	14,489	17,628	80,919
Employee relations and training	4,237	-	22,159	13,175	39,571	12,908	4,917	17,825	57,396
Interest and insurance	260	-	65,212	95,742	161,214	928	370	1,298	162,512
Printing, postage, and related expenses	149	-	3,142	212	3,503	531	267,911	268,442	271,945
Special events	-	-	-	-	-	-	52,306	52,306	52,306
Rent	673	-	14,231	1,868,151	1,883,055	2,404	962	3,366	1,886,421
Bad debt	-	876,419	-	356,416	1,232,835	-	-	-	1,232,835
Depreciation	2,188	-	321,436	3,125	326,749	7,818	3,126	10,944	337,693
Miscellaneous	661	-	18,952	3,260	22,873	1,587	1,105	2,692	25,565
Total functional expenses	\$ 582,508	\$ 876,419	\$ 3,359,016	\$ 3,516,292	\$ 8,334,235	\$ 580,023	\$ 972,024	\$ 1,552,047	\$ 9,886,282

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,534,973	\$ (891,564)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	322,937	337,693
Bad debt expense	44,266	1,232,835
Realized and unrealized gains on investments	(794,740)	(694,648)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	251,825	(2,176,631)
Contributions and other receivable	1,123,291	(835,372)
Prepaid expenses and other assets	(42,417)	258,607
Accounts payable	(40,143)	5,209
Accrued wages	(30,850)	(12,749)
Deferred revenue	249,556	-
Net cash and cash equivalents provided by (used in) operating activities	2,618,698	(2,776,620)
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	390,540
Purchase of property and equipment	(114,099)	(647,589)
Purchases of investments	(3,111,014)	(1,622,383)
Proceeds from sales and maturities of investments	400,672	2,878,150
Advances to related parties	820,423	901,844
Net cash and cash equivalents (used in) provided by investing activities	(2,004,018)	1,900,562
Net Increase (Decrease) in Cash and Cash Equivalents	614,680	(876,058)
Cash and Cash Equivalents - Beginning of year	780,206	1,656,264
Cash and Cash Equivalents - End of year	\$ 1,394,886	\$ 780,206

June 30, 2025 and 2024

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 three wholly owned subsidiaries, COTS Development Corporation (COTS DC); The Peterboro Arms GP, Inc. (PAGP); and Buersmeyer MM LLC (Buersmeyer MM), which are each the primary beneficiary of a limited dividend housing association entity, including COTS Limited Dividend Housing Association Limited Partnership (COTS LDHA), Peterboro Arms Limited Dividend Housing Association Limited Partnership (Peterboro Arms LDHA), and Buersmeyer Limited Dividend Housing Association LLC (Buersmeyer 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, 2025 and 2024. 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. COTS DC, PAGP, Buersmeyer MM, MNH Development, MNH Corporation, and the variable interest entities are not consolidated in the accompanying financial statements. Assets, liabilities, and net assets on a consolidated basis are \$148,745,525 and \$146,386,071 more, \$98,755,991 and \$96,616,986 more, and \$49,989,534 and \$49,769,085 more than shown on these parent-only financial statements as of June 30, 2025 and 2024, 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, 2025 and 2024 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.

June 30, 2025 and 2024

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, 2025 and 2024, the Organization has not recorded a provision for doubtful accounts, as management expects the contributions receivable to be collected in full. Collections of receivables are expected to occur within one year of the balance sheet date.

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, 2025, 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, 2025 and, therefore, has not recorded a provision for doubtful accounts since it is the opinion of management that the receivable is collectible in full. At June 30, 2024, the Organization recorded an allowance for doubtful accounts in the amount of \$846,419. At June 30, 2025 and 2024, the interest receivable is included in the related party receivable balance on the balance sheet.

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 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, 2025.

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, 2025 and 2024, the Organization had remaining award balances on governmental conditional grants of \$1,832,847 and \$1,930,922, 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, 2025 and 2024, the board-designated net assets for the endowment totaled \$985,667 and \$881,673, respectively. At June 30, 2025 and 2024, the board has designated \$644,000 and \$705,333, 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 2025 and 2024.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 16, 2026, which is the date the financial statements were available to be issued.

Notes to Financial Statements

June 30, 2025 and 2024

Note 3 - Trade and Grants Receivable

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

	2025	2024
Federal grants	\$ 954,542	\$ 1,017,909
Rent and other	293,699	205,727
Gross accounts receivable	1,248,241	1,223,636
Allowance for doubtful accounts	(27,254)	(27,253)
Net accounts receivable	<u>\$ 1,220,987</u>	<u>\$ 1,196,383</u>

Note 4 - Contributions Receivable

Contributions receivable comprise several unconditional promises to give totaling \$426,697 and \$1,549,988 for the years ended June 30, 2025 and 2024, respectively. All amounts are due in one year or less.

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:

	2025	2024
Food	\$ 12,037	\$ 6,882
Materials	55,591	52,543
Total in-kind contributions	<u>\$ 67,628</u>	<u>\$ 59,425</u>

Notes to Financial Statements

June 30, 2025 and 2024

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2025	2024	Depreciable Life - Years
Land, buildings, and improvements	\$ 8,962,277	\$ 8,962,277	5-30
Machinery and equipment	63,818	63,818	3-7
Vehicles	93,707	93,707	5
Furniture and fixtures	922,119	922,119	3-10
Computer equipment	815,265	723,806	3-5
Construction in progress	143,689	121,050	-
Total cost	11,000,875	10,886,777	
Less accumulated depreciation	4,971,453	4,648,517	
Net property and equipment	<u>\$ 6,029,422</u>	<u>\$ 6,238,260</u>	

Depreciation expense for 2025 and 2024 was \$322,937 and \$337,693, respectively.

Note 7 - Leases

The Organization is obligated under operating leases primarily for certain shelter and office equipment, expiring at various dates ranging from September 2025 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 \$54,848 and \$43,470 for 2025 and 2024, respectively. Cash paid for amounts included in the measurement of lease liabilities was \$54,848 and \$43,470 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, the weighted-average remaining lease term was 0.99 years and 2.25 years, respectively.

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 \$2,107,287 and \$1,842,051 for 2025 and 2024, respectively.

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

Years Ending June 30	Amount
2026	\$ 50,901
2027	11,829
2028	<u>603</u>
Total	63,333
Less amount representing interest	<u>2,958</u>
Present value of net minimum lease payments	60,375
Less current obligations	<u>48,166</u>
Long-term obligations under leases	<u>\$ 12,209</u>

June 30, 2025 and 2024

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, 2026. At June 30, 2025 and 2024, the effective interest rate on the line of credit was 6.70 and 7.58 percent, respectively. There were no amounts outstanding on the line of credit as of June 30, 2025 and 2024.

Note 9 - Commitments

Under the Organization's housing programs, the Organization guaranteed the lease payments of approximately 170 tenants in these programs during 2025 and 2024. Lease payments range from \$452 to \$1,350 per month. Total lease payments are \$2,141,275 and \$1,859,160 for 2025 and 2024, 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, 2025 and 2024 were approximately \$164,000 and \$125,000, 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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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

	Endowment Net Asset Composition by Type of Fund as of June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 985,667	\$ -	\$ 985,667
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, appropriations, and other donor-restricted gift amounts	-	108,167	108,167
Total donor-restricted endowment funds	-	432,209	432,209
Total funds	\$ 985,667	\$ 432,209	\$ 1,417,876
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 881,673	\$ 405,736	\$ 1,287,409
Investment return - Net	106,900	55,011	161,911
Appropriation of endowment assets for expenditure	(2,906)	(28,538)	(31,444)
Endowment net assets - End of year	\$ 985,667	\$ 432,209	\$ 1,417,876
	Endowment Net Asset Composition by Type of Fund as of June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 881,673	\$ -	\$ 881,673
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, appropriations, and other donor-restricted gift amounts	-	81,694	81,694
Total donor-restricted endowment funds	-	405,736	405,736
Total funds	\$ 881,673	\$ 405,736	\$ 1,287,409
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 792,487	\$ 389,197	\$ 1,181,684
Investment return - Net	91,840	50,015	141,855
Appropriation of endowment assets for expenditure	(2,654)	(33,476)	(36,130)
Endowment net assets - End of year	\$ 881,673	\$ 405,736	\$ 1,287,409

June 30, 2025 and 2024

Note 11 - Donor-restricted and Board-designated Endowments (Continued)***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, 2025 and 2024, 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.

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.

Notes to Financial Statements

June 30, 2025 and 2024

Note 12 - Fair Value Measurements (Continued)

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.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2025 and 2024 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, 2025		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2025
Assets			
Endowment investments:			
ET Bond Funds	\$ 409,893	\$ -	\$ 409,893
Equities - Common stock	1,004,872	-	1,004,872
Total endowment investments	1,414,765	-	1,414,765
Investments:			
Money market fund	3,359,254	-	3,359,254
ET Bond Funds	1,558,829	-	1,558,829
Corporate bonds - Fixed income	-	1,200,880	1,200,880
Equities - Common stock	3,605,280	-	3,605,280
Total investments	8,523,363	1,200,880	9,724,243
Total assets	\$ 9,938,128	\$ 1,200,880	\$ 11,139,008

Notes to Financial Statements

June 30, 2025 and 2024

Note 12 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2024
Assets			
Endowment investments:			
ET Bond Funds	\$ 362,168	\$ -	\$ 362,168
Equities - Common stock	917,212	-	917,212
Total endowment investments	1,279,380	-	1,279,380
Investments:			
ET Bond Funds	1,199,009	-	1,199,009
Corporate bonds - Fixed income	-	1,282,236	1,282,236
Equities - Common stock	3,339,009	-	3,339,009
Total investments	4,538,018	1,282,236	5,820,254
Total assets	\$ 5,817,398	\$ 1,282,236	\$ 7,099,634

Excluded from the tables above at June 30, 2025 and 2024 are endowment cash balances totaling \$3,111 and \$8,028, respectively. Additionally, excluded from the tables are cash and cash equivalents, including deposits, totaling \$17,708 and \$547,081 at June 30, 2025 and 2024, respectively, which are included in the investments balance on the balance sheet.

The fair value of corporate bonds at June 30, 2025 and 2024 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:

	2025	2024
Subject to expenditures for a specified purpose:		
Accumulated earnings and gains on endowment	\$ 108,167	\$ 81,694
Youth activities*	-	60,000
Infant care*	136,173	272,346
Other	450,557	225,835
Total subject to expenditures for a specified purpose	694,897	639,875
Subject to the passage of time	-	550,000
Endowments with purpose restrictions	324,042	324,042
Total net assets with donor restrictions	\$ 1,018,939	\$ 1,513,917

*A portion of these amounts is also time restricted.

June 30, 2025 and 2024

Note 13 - Net Assets with Donor Restrictions (Continued)

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

	2025	2024
Purpose restrictions accomplished:		
Appropriation of endowment assets for expenditure	\$ 28,539	\$ 33,476
Passport to self-sufficiency	143,219	92,959
Youth activities	60,000	72,713
Infant care	161,672	185,671
Other	423,483	169,966
	<u>816,913</u>	<u>554,785</u>
Total	<u>\$ 816,913</u>	<u>\$ 554,785</u>

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, 2024, the Organization had 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 matured during 2025 and was 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. At June 30, 2024, the Organization recorded an allowance for doubtful accounts in the amount of \$876,419. In December 2024, COTS LDHA resyndicated the property. Land and a building were sold to a newly formed entity under common control, Buersmeyer LDHA. The remaining balance of the loans receivable, \$873,262, was paid upon closing of the transaction in December 2024.

COTS LDHA leased space to the Organization for permanent supportive housing through December, 2024. Lease expenses totaled \$0 and \$29,176 in 2025 and 2024, respectively.

MNH Corporation

Under the articles of incorporation of MNH Corporation, COTS annually receives a percentage of MNH Corporation's surplus cash. During 2025 and 2024, MNH Corporation contributions of excess cash to the Organization totaled approximately \$0 and \$121,321, respectively.

MNH Development

In accordance with the operating agreement of MNH Development, COTS received a contribution of \$700,582 and \$614,221 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 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, 2025 and 2024 of \$1,023,762, maturing during 2048 and with interest accruing annually at 3.00 percent. Loans receivable are reported at the original issue amount less principal repaid. As of June 30, 2025 and 2024, interest on the notes due to the Organization was \$668,875 and \$616,036, respectively.

Notes to Financial Statements

June 30, 2025 and 2024

Note 14 - Related Party Transactions (Continued)

The Organization paid construction-related costs on behalf Peterboro Arms LDHA, which are due on demand and bear no interest. At June 30, 2025 and 2024, \$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.

Buermeyer LDHA

Buermeyer LDHA was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 35-unit apartment complex located in Detroit, Michigan. During 2025, the Organization entered into a development agreement to oversee the construction and/or rehabilitation of the 35-unit apartment complex for a contracted fee of \$1,535,730. As described in the agreement, the fee will be deemed earned pro rata as and when the dwelling units in the apartment complex are completed and ready to be placed in service. As of June 30, 2025, there were no units completed and ready to be placed in service. During 2025, the Organization received payments of \$249,556 related to the developer fee. As the fee was not earned, it is recorded as deferred revenue revenue on the balance sheet as of June 30, 2025.

Total related party receivables as of June 30, 2025 and 2024 were as follows:

	2025	2024
Construction costs due from Peterboro Arms LDHA	\$ 3,159,824	\$ 3,159,824
Loan receivable due from COTS LDHA LP	-	873,262
Notes receivables due from Peterboro Arms LDHA	2,828,762	2,828,762
Related party interest receivable	668,875	616,036
Total	<u>\$ 6,657,461</u>	<u>\$ 7,477,884</u>

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. Effective March 31, 2025, COTS LDHA was dissolved. During the years ended June 30, 2025 and 2024, 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.

June 30, 2025 and 2024

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

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.

Buersmeyer MM, a wholly owned subsidiary of the Organization, is a for-profit entity organized to oversee the development of an affordable housing apartment project, the construction of which began in 2025 (see Note 14). Buersmeyer MM is guarantor of the apartment project obligations through its ownership interest in Buersmeyer LDHA. Buersmeyer MM may also be obligated to repay creditors of Buersmeyer LDHA under normal operating requirements. Buersmeyer MM is the primary beneficiary of the affiliated entity, Buersmeyer LDHA, through a 0.01 percent ownership interest. Buersmeyer LDHA obtained two unconditional loans from the City of Detroit HOME Loan Program AHD&PF program in the amount of \$1,370,563 and \$1,500,000, which are guaranteed by the Organization.

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, as COTS appoints all directors of MNH Corporation. Upon transfer of control, the Organization recorded the activity of MNH Corporation in accordance with acquisition accounting.

Notes to Financial Statements

June 30, 2025 and 2024

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:

	2025	2024
Current assets	\$ 31,791,474	\$ 29,326,115
Property and equipment	116,927,584	115,779,107
Total assets	<u>\$ 148,719,058</u>	<u>\$ 145,105,222</u>
Current liabilities	\$ 4,495,017	\$ 3,225,070
Long-term debt	94,260,974	93,070,624
Total liabilities	<u>\$ 98,755,991</u>	<u>\$ 96,295,694</u>
Partner equity/Net assets	<u>\$ 49,963,067</u>	<u>\$ 48,809,528</u>
Revenue	\$ 23,292,198	\$ 22,378,241
Operating expenses	(22,288,350)	(20,775,195)
Contributions from MNH Corporation	(718,473)	(789,521)
Dissolution of COTS LDHA	(209,380)	-
Capital contributions	317,550	-
Distributions	(199,563)	(278,886)
Change in net assets	<u>\$ 193,982</u>	<u>\$ 534,639</u>

Notes to Financial Statements

June 30, 2025 and 2024

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.

	2025	2024
Cash and cash equivalents	\$ 1,394,886	\$ 780,206
Trade, grants, and other receivable	1,220,987	1,517,078
Contributions receivable	426,697	1,549,988
Investments	9,741,949	6,367,334
Endowment	1,417,876	1,287,409
Deposits	186,849	157,563
Related party receivable	6,811,829	8,354,303
	<hr/>	<hr/>
Financial assets - At year end	21,201,073	20,013,881
Less those unavailable for general expenditures within one year due to:		
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	6,701,274	6,366,948
Deposits	186,849	157,563
Related party receivable	6,811,829	8,354,303
Board designations:		
Quasi-endowment fund, primarily for long-term investing	985,667	881,673
Amounts set aside for LIHTC projects	644,000	705,333
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,547,412</u>	<u>\$ 3,224,019</u>

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.

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.