

# **Coalition on Temporary Shelter**

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**Financial Report**  
**June 30, 2016**

# **Coalition on Temporary Shelter**

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## **Contents**

|                      |            |
|----------------------|------------|
| <b>Report Letter</b> | <b>I-2</b> |
|----------------------|------------|

### **Financial Statements**

|   |      |
|---|------|
| Balance Sheet   | 3    |
| Statement of Activities and Changes in Net Assets           | 4    |
| Statement of Functional Expenses - Year Ended June 30, 2016 | 5    |
| Statement of Functional Expenses - Year Ended June 30, 2015 | 6    |
| Statement of Cash Flows                                     | 7    |
| Notes to Financial Statements                               | 8-24 |

## Independent Auditor's Report

To the Board of Directors  
Coalition on Temporary Shelter

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Coalition on Temporary Shelter (the "Organization"), which comprise the balance sheet as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

To the Board of Directors  
Coalition on Temporary Shelter

***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 I, the parent-only financial statements include a wholly owned subsidiary and a variable interest entity for which the Organization is the primary beneficiary that are accounted for under the cost method instead of the consolidation method as required by accounting standards generally accepted in the United States of America. Additionally, as discussed in Note I, the parent-only financial statements exclude an entity for which the Organization is the sole member instead of using the consolidation method as required by accounting principles generally accepted in the United States of America. The parent-only financial statements are being issued in addition to the 2016 and 2015 consolidated financial statements that include the subsidiaries and variable interest entities. Information regarding the variable interest entity is disclosed in Note 10.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheet of Coalition on Temporary Shelter as of June 30, 2016 and 2015, and the statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of Coalition on Temporary Shelter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coalition on Temporary Shelter's internal control over financial reporting and compliance.

*Plante & Moreau, PLLC*

Southfield, Michigan  
March 29, 2017

# Coalition on Temporary Shelter

## Balance Sheet

|   | June 30, 2016               | June 30, 2015              |
|---|-----------------------------|----------------------------|
| <b>Assets</b>   |                             |                            |
| <b>Current Assets</b>                                   |                             |                            |
| Cash and cash equivalents                               | \$ 2,549,604                | \$ 1,235,333               |
| Receivables:  |                             |                            |
| Trade and grant - Net (Note 2)                          | 947,123                     | 497,203                    |
| Contributions and other                                 | -                           | 581,305                    |
| Investments   | 5,262,931                   | -                          |
| Prepaid expenses and other current assets               | 472,386                     | 453,802                    |
| Total current assets                                    | 9,232,044                   | 2,767,643                  |
| <b>Investments in Limited Partnership</b> (Note 9)      | 443,114                     | 443,114                    |
| <b>Property and Equipment - Net</b> (Note 4)            | 1,300,829                   | 1,498,737                  |
| <b>Endowment</b> (Note 11)                              | 787,373                     | 779,552                    |
| <b>Other Assets</b> - Related party receivable (Note 9) | 1,749,681                   | 1,749,681                  |
| Total assets  | <u><u>\$ 13,513,041</u></u> | <u><u>\$ 7,238,727</u></u> |
| <b>Liabilities and Net Assets</b>                       |                             |                            |
| <b>Current Liabilities</b>                              |                             |                            |
| Accounts payable  | \$ 126,779                  | \$ 196,493                 |
| Accrued wages and other                                 | 296,217                     | 253,061                    |
| Total current liabilities                               | 422,996                     | 449,554                    |
| <b>Long-term Note Payable</b> (Note 5)                  | 350,000                     | 350,000                    |
| Total liabilities                                       | 772,996                     | 799,554                    |
| <b>Net Assets</b>                                       |                             |                            |
| Unrestricted:   |                             |                            |
| Undesignated  | 11,026,246                  | 5,598,062                  |
| Board designated  | 1,388,489                   | 458,900                    |
| Temporarily restricted net assets (Note 13)             | 3,768                       | 64,971                     |
| Permanently restricted                                  | 321,542                     | 317,240                    |
| Total net assets  | 12,740,045                  | 6,439,173                  |
| Total liabilities and net assets                        | <u><u>\$ 13,513,041</u></u> | <u><u>\$ 7,238,727</u></u> |

# Coalition on Temporary Shelter

## Statement of Activities and Changes in Net Assets

|   | Year Ended           |                        |                        |                      |                     |                        |                        |                     |
|---|----------------------|------------------------|------------------------|----------------------|---------------------|------------------------|------------------------|---------------------|
|   | June 30, 2016        |                        |                        |                      | June 30, 2015       |                        |                        |                     |
|   | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
| <b>Revenue and Support</b>  |                      |                        |                        |                      |                     |                        |                        |                     |
| Contributions   | \$ 1,473,363         | \$ 8,531               | \$ 4,302               | \$ 1,486,196         | \$ 1,443,399        | \$ 42,929              | \$ 167,240             | \$ 1,653,568        |
| In-kind donations (Note 3)  | 1,016,507            | -                      | -                      | 1,016,507            | 1,037,488           | -                      | -                      | 1,037,488           |
| Foundation and private grants   | 647,322              | 136,830                | -                      | 784,152              | 712,656             | 269,203                | -                      | 981,859             |
| Federal grants  | 3,086,278            | -                      | -                      | 3,086,278            | 2,611,938           | -                      | -                      | 2,611,938           |
| State grants  | 408,476              | -                      | -                      | 408,476              | 438,211             | -                      | -                      | 438,211             |
| Michigan nonprofit housing  | 66,197               | -                      | -                      | 66,197               | 185,007             | -                      | -                      | 185,007             |
| Reimbursement for services  | 40,989               | -                      | -                      | 40,989               | 58,356              | -                      | -                      | 58,356              |
| Net realized and unrealized losses on investments                             | (37,141)             | -                      | -                      | (37,141)             | (24,433)            | -                      | -                      | (24,433)            |
| Interest income (loss)  | 61,990               | (4,319)                | -                      | 57,671               | 42,961              | 8,087                  | -                      | 51,048              |
| Endowment contributions   | 15,924               | -                      | -                      | 15,924               | 15,923              | -                      | -                      | 15,923              |
| Rent  | 316,483              | -                      | -                      | 316,483              | 374,332             | -                      | -                      | 374,332             |
| Miscellaneous income  | 37,225               | -                      | -                      | 37,225               | 24,450              | -                      | -                      | 24,450              |
| Total revenue and support   | 7,133,613            | 141,042                | 4,302                  | 7,278,957            | 6,920,288           | 320,219                | 167,240                | 7,407,747           |
| <b>Net Assets Released from Restrictions</b>                                  | 202,245              | (202,245)              | -                      | -                    | 305,758             | (305,758)              | -                      | -                   |
| Total revenue, support, and net assets released from restrictions             | 7,335,858            | (61,203)               | 4,302                  | 7,278,957            | 7,226,046           | 14,461                 | 167,240                | 7,407,747           |
| <b>Expenses</b>   |                      |                        |                        |                      |                     |                        |                        |                     |
| Program services:   |                      |                        |                        |                      |                     |                        |                        |                     |
| Long-term shelter   | 43,423               | -                      | -                      | 43,423               | 68,064              | -                      | -                      | 68,064              |
| Emergency shelter   | 2,686,593            | -                      | -                      | 2,686,593            | 2,576,634           | -                      | -                      | 2,576,634           |
| Transitional services   | 2,487,353            | -                      | -                      | 2,487,353            | 2,495,843           | -                      | -                      | 2,495,843           |
| Permanent supportive housing  | 2,355,049            | -                      | -                      | 2,355,049            | 1,804,982           | -                      | -                      | 1,804,982           |
| Total program services  | 7,572,418            | -                      | -                      | 7,572,418            | 6,945,523           | -                      | -                      | 6,945,523           |
| Support services:   |                      |                        |                        |                      |                     |                        |                        |                     |
| Management and general  | 419,986              | -                      | -                      | 419,986              | 380,870             | -                      | -                      | 380,870             |
| Fundraising   | 658,402              | -                      | -                      | 658,402              | 609,140             | -                      | -                      | 609,140             |
| Total expenses  | 8,650,806            | -                      | -                      | 8,650,806            | 7,935,533           | -                      | -                      | 7,935,533           |
| <b>(Decrease) Increase in Net Assets - Before other changes in net assets</b> | (1,314,948)          | (61,203)               | 4,302                  | (1,371,849)          | (709,487)           | 14,461                 | 167,240                | (527,786)           |
| <b>Transfer (to) from Permanently Restricted Endowment</b>                    | -                    | -                      | -                      | -                    | (150,000)           | -                      | 150,000                | -                   |
| <b>Proceeds from Michigan Nonprofit Housing (Note 14)</b>                     | 7,672,721            | -                      | -                      | 7,672,721            | -                   | -                      | -                      | -                   |
| <b>Increase (Decrease) in Net Assets</b>                                      | 6,357,773            | (61,203)               | 4,302                  | 6,300,872            | (859,487)           | 14,461                 | 317,240                | (527,786)           |
| <b>Net Assets - Beginning of year</b>   | 6,056,962            | 64,971                 | 317,240                | 6,439,173            | 6,916,449           | 50,510                 | -                      | 6,966,959           |
| <b>Net Assets - End of year</b>   | <u>\$ 12,414,735</u> | <u>\$ 3,768</u>        | <u>\$ 321,542</u>      | <u>\$ 12,740,045</u> | <u>\$ 6,056,962</u> | <u>\$ 64,971</u>       | <u>\$ 317,240</u>      | <u>\$ 6,439,173</u> |

See Notes to Financial Statements.

# Coalition on Temporary Shelter

## Statement of Functional Expenses Year Ended June 30, 2016

|   | Program Services  |                     |                       |                              |                        | Support Services       |                   |                        | Total               |
|---|-------------------|---------------------|-----------------------|------------------------------|------------------------|------------------------|-------------------|------------------------|---------------------|
|   | Long-term Shelter | Emergency Shelter   | Transitional Services | Permanent Supportive Housing | Total Program Services | Management and General | Fundraising       | Total Support Services |                     |
| Salaries                                | \$ 12,705         | \$ 973,065          | \$ 1,103,670          | \$ 436,213                   | \$ 2,525,653           | \$ 269,894             | \$ 349,403        | \$ 619,297             | \$ 3,144,950        |
| Employee benefits                       | 2,934             | 198,800             | 263,482               | 82,019                       | 547,235                | 58,533                 | 43,396            | 101,929                | 649,164             |
| Payroll taxes                           | 1,102             | 86,444              | 94,227                | 35,045                       | 216,818                | 22,728                 | 21,882            | 44,610                 | 261,428             |
| Total salaries and related expenses     | 16,741            | 1,258,309           | 1,461,379             | 553,277                      | 3,289,706              | 351,155                | 414,681           | 765,836                | 4,055,542           |
| Donated materials and food              | -                 | 1,012,260           | -                     | -                            | 1,012,260              | -                      | 4,247             | 4,247                  | 1,016,507           |
| Supplies                                | 84                | 17,757              | 8,166                 | 4,977                        | 30,984                 | 3,091                  | 6,188             | 9,279                  | 40,263              |
| Food                                    | 4,191             | 67,316              | 14,455                | 53                           | 86,015                 | 17                     | 22                | 39                     | 86,054              |
| Transportation                          | 157               | 4,750               | 10,676                | 534                          | 16,117                 | 225                    | 195               | 420                    | 16,537              |
| Utilities                               | 4,724             | 61,423              | 147,606               | 78,089                       | 291,842                | 1,578                  | 3,148             | 4,726                  | 296,568             |
| Contract and professional services      | 1,912             | 38,941              | 43,030                | 32,922                       | 116,805                | 44,966                 | 20,088            | 65,054                 | 181,859             |
| Repairs and maintenance                 | 4,412             | 61,100              | 160,617               | 24,105                       | 250,234                | 2,273                  | 3,259             | 5,532                  | 255,766             |
| Program materials                       | 60                | 24,498              | 11,351                | 4,726                        | 40,635                 | 1,869                  | 63                | 1,932                  | 42,567              |
| Telephone                               | 1,047             | 18,154              | 38,682                | 9,248                        | 67,131                 | 1,196                  | 4,755             | 5,951                  | 73,082              |
| Employee relations and training         | 128               | 9,267               | 13,886                | 16,291                       | 39,572                 | 6,896                  | 3,905             | 10,801                 | 50,373              |
| Insurance                               | 1,549             | 26,714              | 93,372                | 42,401                       | 164,036                | 1,550                  | 1,935             | 3,485                  | 167,521             |
| Printing, postage, and related expenses | -                 | -                   | -                     | -                            | -                      | -                      | 115,180           | 115,180                | 115,180             |
| Special event costs                     | -                 | -                   | -                     | -                            | -                      | -                      | 74,784            | 74,784                 | 74,784              |
| Rent                                    | -                 | -                   | 202,081               | 1,554,043                    | 1,756,124              | -                      | -                 | -                      | 1,756,124           |
| Bad debt                                | 3,880             | 6,427               | 32,171                | 14,384                       | 56,862                 | 372                    | 279               | 651                    | 57,513              |
| Depreciation                            | 4,153             | 71,640              | 227,571               | 12,459                       | 315,823                | 4,152                  | 5,192             | 9,344                  | 325,167             |
| Miscellaneous                           | 385               | 8,037               | 22,310                | 7,540                        | 38,272                 | 646                    | 481               | 1,127                  | 39,399              |
| Total functional expenses               | <u>\$ 43,423</u>  | <u>\$ 2,686,593</u> | <u>\$ 2,487,353</u>   | <u>\$ 2,355,049</u>          | <u>\$ 7,572,418</u>    | <u>\$ 419,986</u>      | <u>\$ 658,402</u> | <u>\$ 1,078,388</u>    | <u>\$ 8,650,806</u> |

# Coalition on Temporary Shelter

## Statement of Functional Expenses Year Ended June 30, 2015

|   | Program Services  |                     |                       |                              |                        | Support Services       |                   |                        | Total               |
|---|-------------------|---------------------|-----------------------|------------------------------|------------------------|------------------------|-------------------|------------------------|---------------------|
|   | Long-term Shelter | Emergency Shelter   | Transitional Services | Permanent Supportive Housing | Total Program Services | Management and General | Fundraising       | Total Support Services |                     |
| Salaries                                | \$ 21,768         | \$ 870,934          | \$ 1,066,340          | \$ 371,076                   | \$ 2,330,118           | \$ 233,423             | \$ 355,769        | \$ 589,192             | \$ 2,919,310        |
| Employee benefits                       | 5,569             | 177,196             | 288,772               | 65,536                       | 537,073                | 54,747                 | 44,358            | 99,105                 | 636,178             |
| Payroll taxes                           | 1,871             | 76,712              | 89,487                | 32,921                       | 200,991                | 20,070                 | 23,622            | 43,692                 | 244,683             |
| Total salaries and related expenses     | 29,208            | 1,124,842           | 1,444,599             | 469,533                      | 3,068,182              | 308,240                | 423,749           | 731,989                | 3,800,171           |
| Donated materials and food              | -                 | 1,037,488           | -                     | -                            | 1,037,488              | -                      | -                 | -                      | 1,037,488           |
| Supplies                                | 173               | 21,776              | 8,254                 | 4,272                        | 34,475                 | 3,866                  | 12,651            | 16,517                 | 50,992              |
| Food                                    | 5,215             | 73,972              | 16,442                | 137                          | 95,766                 | 38                     | 48                | 86                     | 95,852              |
| Transportation                          | 512               | 4,552               | 5,242                 | 723                          | 11,029                 | 204                    | 256               | 460                    | 11,489              |
| Utilities                               | 5,719             | 70,547              | 177,983               | 39,840                       | 294,089                | 1,908                  | 3,812             | 5,720                  | 299,809             |
| Contract and professional services      | 1,446             | 35,626              | 41,547                | 35,461                       | 114,080                | 47,097                 | 14,506            | 61,603                 | 175,683             |
| Repairs and maintenance                 | 5,927             | 67,604              | 173,278               | 19,375                       | 266,184                | 2,098                  | 3,806             | 5,904                  | 272,088             |
| Program materials                       | 116               | 24,174              | 13,831                | 4,811                        | 42,932                 | 1,159                  | 15                | 1,174                  | 44,106              |
| Telephone                               | 2,642             | 17,199              | 39,458                | 8,500                        | 67,799                 | 1,521                  | 3,812             | 5,333                  | 73,132              |
| Employee relations and training         | 249               | 8,610               | 10,057                | 11,329                       | 30,245                 | 9,160                  | 2,995             | 12,155                 | 42,400              |
| Insurance                               | 3,677             | 23,718              | 92,042                | 40,976                       | 160,413                | 1,471                  | 1,838             | 3,309                  | 163,722             |
| Printing, postage, and related expenses | -                 | -                   | -                     | -                            | -                      | -                      | 100,593           | 100,593                | 100,593             |
| Special event costs                     | -                 | -                   | -                     | -                            | -                      | -                      | 35,941            | 35,941                 | 35,941              |
| Rent                                    | -                 | -                   | 211,146               | 1,142,683                    | 1,353,829              | -                      | -                 | -                      | 1,353,829           |
| Bad debt                                | 2,941             | -                   | 32,292                | 6,874                        | 42,107                 | -                      | -                 | -                      | 42,107              |
| Depreciation                            | 9,591             | 61,861              | 216,982               | 13,524                       | 301,958                | 3,835                  | 4,795             | 8,630                  | 310,588             |
| Miscellaneous                           | 648               | 4,665               | 12,690                | 6,944                        | 24,947                 | 273                    | 323               | 596                    | 25,543              |
| Total functional expenses               | <u>\$ 68,064</u>  | <u>\$ 2,576,634</u> | <u>\$ 2,495,843</u>   | <u>\$ 1,804,982</u>          | <u>\$ 6,945,523</u>    | <u>\$ 380,870</u>      | <u>\$ 609,140</u> | <u>\$ 990,010</u>      | <u>\$ 7,935,533</u> |



# Coalition on Temporary Shelter

## Statement of Cash Flows

|  | Year Ended                 |                            |
|--|----------------------------|----------------------------|
|  | June 30, 2016              | June 30, 2015              |
| <b>Cash Flows from Operating Activities</b>  |                            |                            |
| Increase (decrease) in net assets  | \$ 6,300,872               | \$ (527,786)               |
| Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities: |                            |                            |
| Depreciation   | 325,167                    | 310,588                    |
| Bad debt expense   | 57,513                     | 42,107                     |
| Realized and unrealized losses on investments  | 69,728                     | 26,093                     |
| Endowment contributions  | (4,302)                    | (167,240)                  |
| Changes in operating assets and liabilities which (used) provided cash:  |                            |                            |
| Accounts receivable  | (507,434)                  | 160,308                    |
| Contributions and other receivables  | 581,305                    | 435,770                    |
| Prepaid expenses and deposits  | (18,584)                   | (2,256)                    |
| Accounts payable   | (69,714)                   | (4,286)                    |
| Accrued wages and other liabilities  | 43,156                     | 22,862                     |
| Net cash and cash equivalents provided by operating activities   | 6,777,707                  | 296,160                    |
| <b>Cash Flows from Investing Activities</b>  |                            |                            |
| Purchase of property and equipment   | (127,258)                  | (167,135)                  |
| Purchases of investments   | (5,340,480)                | (374,149)                  |
| Net cash and cash equivalents used in investing activities   | (5,467,738)                | (541,284)                  |
| <b>Cash Flows from Financing Activities - Endowment contributions</b>  |                            |                            |
|  | 4,302                      | 167,240                    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | 1,314,271                  | (77,884)                   |
| <b>Cash and Cash Equivalents - Beginning of year</b>   | 1,235,333                  | 1,313,217                  |
| <b>Cash and Cash Equivalents - End of year</b>   | <u><u>\$ 2,549,604</u></u> | <u><u>\$ 1,235,333</u></u> |

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Nature of Business and Significant Accounting Policies

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

In February 2015 COTS became a managing member of MNH Development, LLC (MNH Development); there are three members. COTS has a 40 percent sharing ratio in MNH Development and appoints five of the seven board of manager members. MNH Development is a limited liability company organized to be the sole member of the managing member entities for various limited liability companies and oversee the rehabilitation of certain affordable housing projects. Neither COTS Development Corporation, MNH Development, LLC, nor their respective variable interest entities are consolidated in the accompanying financial statements.

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.

The Organization has issued separate consolidated financial statements for the years ended June 30, 2016 and 2015. In addition to the separate consolidated financial statements, the accompanying parent-only financial statements are being issued for third parties who have a need for financial information of the Organization independent of the Organization's wholly owned subsidiaries and variable interest entities. In the accompanying financial statements, the variable interest entities for which the Organization and MNH are the primary beneficiaries are not included. Assets, liabilities, and net assets on a consolidated basis are \$97,736,717 and \$4,746,979 more, \$89,858,020 and \$3,300,507 more, and \$7,878,697 and \$1,446,472 more as of June 30, 2016 and 2015, respectively, than shown on these parent-only financial statements. Additional information regarding the variable interest entities is disclosed in Note 10.

Significant accounting policies are as follows:

**Cash and Cash Equivalents** - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The Organization maintains cash balances at five 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.

**Accounts Receivable** - The Organization's accounts receivable balance at June 30, 2016 and 2015 is comprised of rent from tenants in various housing programs and receivables from federal and state granting agencies for expenditures made in conjunction with grant agreements. A provision for uncollectible accounts has been made for all rent amounts deemed uncollectible by management. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The Organization has not recorded a provision for doubtful accounts for grant receivables since it is the opinion of management that those receivables are collectible in full.

**Contributions Receivable** - The Organization's contributions receivable are comprised 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, 2015, the Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full. There were no contributions receivable for the year ended June 30, 2016.

**Investments** - Investments are presented in the financial statements at fair value.

**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.

**Endowment** - The board of directors established an endowment fund, which can be altered or revoked at a future time by the board. The endowment balance represents monies in mutual funds and money markets that have been set aside by the board of directors since its establishment. The endowment is recorded at fair value. See Notes 11 and 12 for additional information.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Contributions** - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. The donor restrictions expire when stipulated time restrictions end or purpose restrictions are accomplished. Gifts are reported as temporarily restricted support and temporarily restricted net assets when received and are reclassified to unrestricted net assets when the restrictions expire.

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

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

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

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted, depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

**Board-designated Net Assets** - Board-designated net assets are unrestricted net assets that have been subject to self-imposed limits by action of the governing board. Board-designated net assets represents the establishment of an endowment fund and amounts set aside for the provision of supportive services for the Peterboro Arms LIHTC project for a 15-year period. At June 30, 2016 and 2015, the board-designated net assets for the endowment totaled \$468,489 and \$458,900, respectively. At June 30, 2016, the board designated \$920,000 for the provision of supportive services to the LIHTC project. There were no board-designated net assets for the LIHTC project at June 30, 2015.

**Functional Allocation of Expenses** - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including March 29, 2017, which is the date the financial statements were available to be issued.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Upcoming Accounting Change** - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization is in the process of evaluating the impact of the new standard on its financial statements with a focus on the timing pattern of revenue recognized on rental income.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organizations' year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements.

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

### Note 2 - Receivables

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

|                                      | 2016       | 2015       |
|--------------------------------------|------------|------------|
| Federal grants                       | \$ 941,395 | \$ 466,166 |
| State grants                         | -          | 9,096      |
| Interest                             | 897        | -          |
| Rent and other                       | 4,866      | 26,317     |
| Total trade and grants receivable    | 947,158    | 501,579    |
| Less allowance for doubtful accounts | (35)       | (4,376)    |
| Net trade and grants receivable      | \$ 947,123 | \$ 497,203 |

### Note 3 - In-kind Donations

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

In-kind donations recognized by the Organization were as follows:

|                         | 2016         | 2015         |
|-------------------------|--------------|--------------|
| Food                    | \$ 197,942   | \$ 193,336   |
| Materials               | 818,565      | 844,152      |
| Total in-kind donations | \$ 1,016,507 | \$ 1,037,488 |

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

### Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

|  | 2016         | 2015         | Depreciable<br>Life - Years |
|--|--------------|--------------|-----------------------------|
| Land, buildings, and improvements  | \$ 6,372,968 | \$ 6,361,671 | 5-30                        |
| Machinery and equipment  | 56,064       | 56,064       | 3-7                         |
| Vehicles   | 134,207      | 134,207      | 5                           |
| Furniture and fixtures   | 650,550      | 648,136      | 3-10                        |
| Computer hardware  | 520,274      | 455,500      | 3-5                         |
| Construction in progress (network<br>upgrade, heating system<br>renovations, hot water distribution,<br>recreation, and lobby updates) | 113,549      | 64,775       | -                           |
| Total cost   | 7,847,612    | 7,720,353    |                             |
| Accumulated depreciation   | 6,546,783    | 6,221,616    |                             |
| Net property and equipment   | \$ 1,300,829 | \$ 1,498,737 |                             |

Depreciation expense was \$325,167 for 2016 and \$310,588 for 2015.

### Note 5 - Affordable Housing Program Obligation

In December 2001, the Organization received a loan from a bank under the Affordable Housing Program to assist in financing the purchase of an apartment complex and the conversion of it into permanent supportive housing. At June 30, 2016 and 2015, the obligation totals \$350,000, bears no interest, and is not required to be repaid as long as the housing continues to be used as affordable housing, as outlined in the Organization's application of program funds, for a period of 15 years from the date of the completion of the renovations of the apartments. This period ends in 2020. It is the Organization's intent to comply with the time requirement. However, based on the restrictions of the loan, the amount has been recorded as an obligation of the Organization.

### Note 6 - Line of Credit

The Organization has established an unsecured line of credit in the amount of \$500,000, which matures on May 28, 2017. At June 30, 2016 and 2015, the interest rate on the line of credit was 3.50 and 3.25 percent, respectively. There were no amounts outstanding on the line of credit as of June 30, 2016 and 2015.



# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 7 - Commitments

Under the Organization's housing programs, the Organization guaranteed the lease payments of approximately 200 tenants in these programs during 2016 and 2015. Lease payments range from \$363 to \$1,233 per month. Total lease payments are \$1,554,043 and \$1,142,683 for 2016 and 2015, respectively. Lease terms are generally less than one year, with most being on a month-to-month basis.

### Note 8 - Retirement Plan

The Organization has a defined contribution thrift plan for all eligible employees. The thrift plan expenses for the years ended June 30, 2016 and 2015 were approximately \$125,000.

### Note 9 - Related Party Transactions

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

At June 30, 2016 and 2015, the Organization has outstanding loan receivables from the limited partnership related to the renovation of the housing project in the amount of approximately \$1,750,000, which includes the noninterest-bearing note receivable mentioned above. The loan receivable amount matures during 2025 and is noninterest 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, 2016 and 2015. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that the receivable is collectible in full.

The limited partnership mentioned above paid the Organization management and incentive fees of \$13,648 and \$13,622 in 2016 and 2015, respectively.

The limited partnership mentioned above leases space to the Organization for permanent supportive housing. Lease expenses totaled \$52,894 and \$50,019 in 2016 and 2015, respectively.

The Organization has contributed capital to the limited partnership totaling approximately \$443,000 at June 30, 2016 and 2015.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 10 - Unconsolidated Affiliates and Variable Interest Entities

COTS Development Corporation is a for-profit entity, a wholly owned subsidiary of Coalition on Temporary Shelter, organized to oversee the development of an affordable housing project (see Notes 5 and 9). Construction of the project was completed and the project commenced operations during 2005. COTS Development Corporation is guarantor of the apartment project obligations through its ownership interests in the limited partnership, which are accounted for using the cost method. COTS Development Corporation may also be obligated to repay creditors of the limited partnership under normal partnership requirements. During the years ended June 30, 2016 and 2015, COTS Development Corporation had no other activities other than as disclosed above.

The Organization, through COTS Development Corp, is the primary beneficiary of an affiliated entity (COTS Limited Dividend Housing Association Limited Partnership) that qualifies as a variable interest entity. The Organization is guarantor of the obligations of the affiliated entity through its 0.01 percent ownership interest. The entity was formed to acquire an interest in real property and to purchase, rehabilitate, develop, maintain, and operate an affordable housing complex consisting of 35 units located in Detroit, Michigan. The project was completed and placed into service during 2005. As indicated in Note 9, the affiliated entity has several obligations owed to the Organization. The affiliated entity has also obtained a \$1,500,000 unconditional loan from the City of Detroit HOME Investor Rehabilitation/New Construction Loan Program. This loan is guaranteed by the Organization.

In February 2015 COTS became a managing member of MNH Development, LLC (MNH Development); there are three members. COTS has a 40 percent sharing ratio in MNH Development and appoints five of the seven board of manager members. MNH Development is a limited liability company organized to be the sole member of the managing member entities for various limited liability companies and oversee the rehabilitation of certain affordable housing projects. Construction of the projects commenced during 2016. The managing member entities of each of the affordable housing projects have certain financial obligations under the operating agreements including obligations to fund certain operating deficits should they occur and repay investor contribution in the case of recaptured low-income housing tax credits. The managing member entities' financial obligations are irrevocably and unconditionally guaranteed by Michigan Nonprofit Housing Corporation. While the managing members still have an obligation under the operating agreements, if they are unable to fulfill their obligation, recourse is sought from the guarantee. Each of the managing member entities is the .01 percent managing member and an investor member has the remaining 99.99 percent ownership interest in each of the affordable housing projects.

## Coalition on Temporary Shelter

### Notes to Financial Statements June 30, 2016 and 2015

#### Note 10 - 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:

|                        | 2016                 | 2015                |
|------------------------|----------------------|---------------------|
| Current assets         | \$ 16,002,643        | \$ 368,106          |
| Property and equipment | 81,734,074           | 4,378,873           |
| Total assets           | <u>\$ 97,736,717</u> | <u>\$ 4,746,979</u> |
| Current liabilities    | \$ 18,008,867        | \$ 1,814,907        |
| Long-term liabilities  | 71,849,153           | 1,485,600           |
| Total liabilities      | <u>\$ 89,858,020</u> | <u>\$ 3,300,507</u> |
| Partner equity         | <u>\$ 7,878,697</u>  | <u>\$ 1,446,472</u> |
| Revenue                | \$ 8,493,203         | \$ 232,309          |
| Operating expenses     | (6,769,091)          | (410,237)           |
| Capital contributions  | 4,708,113            | -                   |
| Net income (loss)      | <u>\$ 6,432,225</u>  | <u>\$ (177,928)</u> |

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

### 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2016

|                                  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|----------------------------------|-------------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds | \$ -              | \$ 3,768                  | \$ 321,542                | \$ 325,310        |
| Board-designated endowment funds | 468,489           | -                         | -                         | 468,489           |
| Total funds                      | <u>\$ 468,489</u> | <u>\$ 3,768</u>           | <u>\$ 321,542</u>         | <u>\$ 793,799</u> |

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

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

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|---|-------------------|---------------------------|---------------------------|-------------------|
| Endowment net assets -                        |                   |                           |                           |                   |
| Beginning of year                             | \$ 458,900        | \$ 8,087                  | \$ 317,240                | \$ 784,227        |
| Investment return:                            |                   |                           |                           |                   |
| Investment income                             | 39,589            | 26,993                    | -                         | 66,582            |
| Net depreciation (realized and<br>unrealized) | (41,460)          | (28,268)                  | -                         | (69,728)          |
| Total investment<br>return                    | (1,871)           | (1,275)                   | -                         | (3,146)           |
| Transfers                                     | 15,923            | -                         | -                         | 15,923            |
| Contributions                                 | -                 | -                         | 4,302                     | 4,302             |
| Investment fees                               | (4,463)           | (3,044)                   | -                         | (7,507)           |
| Endowment net assets -<br>End of year         | <u>\$ 468,489</u> | <u>\$ 3,768</u>           | <u>\$ 321,542</u>         | <u>\$ 793,799</u> |

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2015

|                                     | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|-------------------------------------|-------------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds    | \$ -              | \$ 8,087                  | \$ 317,240                | \$ 325,327        |
| Board-designated endowment<br>funds | 458,900           | -                         | -                         | 458,900           |
| Total funds                         | <u>\$ 458,900</u> | <u>\$ 8,087</u>           | <u>\$ 317,240</u>         | <u>\$ 784,227</u> |

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

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

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

|   | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total      |
|---|--------------|---------------------------|---------------------------|------------|
| Endowment net assets -                        |              |                           |                           |            |
| Beginning of year                             | \$ 431,496   | \$ -                      | \$ -                      | \$ 431,496 |
| Investment return:                            |              |                           |                           |            |
| Investment income                             | 31,790       | 22,392                    | -                         | 54,182     |
| Net appreciation (realized and<br>unrealized) | (16,346)     | (11,514)                  | -                         | (27,860)   |
| Total investment<br>return                    | 15,444       | 10,878                    | -                         | 26,322     |
| Transfers                                     | 15,923       | -                         | 150,000                   | 165,923    |
| Contributions                                 | -            | -                         | 167,240                   | 167,240    |
| Investment fees                               | (3,963)      | (2,791)                   | -                         | (6,754)    |
| Endowment net assets -<br>End of year         | \$ 458,900   | \$ 8,087                  | \$ 317,240                | \$ 784,227 |

At June 30, 2016 and 2015, the Organization received \$6,425 and \$4,675, respectively, of permanently restricted contributions that had not yet been invested in the endowment account. The contributions not yet invested are reported as cash and cash equivalents.

#### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize total return by maintaining a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. Under this policy, as approved by the board of directors, the endowment assets are invested in a balanced strategy of equities, fixed-income securities, and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets.

# **Coalition on Temporary Shelter**

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## **Notes to Financial Statements June 30, 2016 and 2015**

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

#### **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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016 and 2015.

# Coalition on Temporary Shelter

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## Notes to Financial Statements June 30, 2016 and 2015

### 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.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2016 and 2015 and the valuation techniques used by the Organization to determine those fair values.

In general, 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.

The Organization's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during 2016 or 2015.

In instances whereby 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.



# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

### Note 12 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

|  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2016 |
|--|--|---|--|-----------------------------|
| Endowment investments:                               |  |   |  |                             |
| Mutual funds - U.S. equity securities                | \$ 413,036   | \$ -  | \$ -   | \$ 413,036                  |
| Mutual funds - International equity securities       | 126,028  | -   | -  | 126,028                     |
| Mutual funds - International real estate securities  | 32,941   | -   | -  | 32,941                      |
| Mutual funds - U.S. fixed-income securities          | 160,061  | -   | -  | 160,061                     |
| Mutual funds - International fixed-income securities | 46,366   | -   | -  | 46,366                      |
| Common stock   | 2,791  | -   | -  | 2,791                       |
| Investments - Certificates of deposits               | -  | 3,697,408   | -  | 3,697,408                   |
| Total assets   | <u>\$ 781,223</u>  | <u>\$ 3,697,408</u>                                       | <u>\$ -</u>  | <u>\$ 4,478,631</u>         |

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

|  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2015 |
|--|--|---|--|-----------------------------|
| Endowment investments:                               |  |   |  |                             |
| Mutual funds - U.S. equity securities                | \$ 409,203   | \$ -  | \$ -   | \$ 409,203                  |
| Mutual funds - International equity securities       | 130,625  | -   | -  | 130,625                     |
| Mutual funds - International real estate securities  | 29,528   | -   | -  | 29,528                      |
| Mutual funds - U.S. fixed-income securities          | 154,610  | -   | -  | 154,610                     |
| Mutual funds - International fixed-income securities | 40,366   | -   | -  | 40,366                      |
| Total assets   | <u>\$ 764,332</u>  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 764,332</u>           |

# Coalition on Temporary Shelter

## Notes to Financial Statements June 30, 2016 and 2015

### Note 12 - Fair Value Measurements (Continued)

Excluded from the tables above is cash totaling \$6,150 and \$15,220 at June 30, 2016 and 2015, respectively, which is included in the endowment. At June 30, 2016, the Organization also holds investments of \$750,000, which consists of certificate of deposit with two banks which are recognized on the balance sheet at carrying value. Additionally excluded from the table is cash of \$815,523 at June 30, 2016, which is included in investments.

### Note 13 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are restricted for the following purposes. There were no temporarily restricted net assets restricted for time.

|   | 2016            | 2015             |
|---|-----------------|------------------|
| Accumulated earnings and gains on endowment | \$ 3,768        | \$ 8,087         |
| Capital projects                            | -               | 10,000           |
| Passport to self-sufficiency                | -               | 46,884           |
| Total temporarily restricted net assets     | <u>\$ 3,768</u> | <u>\$ 64,971</u> |

### Note 14 - Michigan Nonprofit Housing

Michigan Nonprofit Housing Corporation (MNHC) is a nonprofit incorporated to provide housing to low-income individuals. COTS is a participating nonprofit of MNHC. Under the articles of incorporation of MNHC, COTS receives annually a percentage of the MNHC surplus cash. During 2016, MNHC sold four properties that resulted in a distribution to the Organization of approximately \$7,700,000. Subsequent to year end, the Organization received an additional \$4,400,000 from MNHC.