Lighthouse MI

Consolidated Financial Statements
June 30, 2021 and 2020

Cohen & Co

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LIGHTHOUSE MI

JUNE 30, 2021 AND 2020

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Independent Auditors' Report

Board of Directors
Lighthouse MI

We have audited the accompanying consolidated financial statements of Lighthouse MI (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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 audit 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse MI as of June 30, 2021 and 2020, and the changes in its net assets and its 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 February 7, 2022, on our consideration of Lighthouse MI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of Lighthouse MI's 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 Lighthouse MI's internal control over financial reporting and compliance.

Cohen & Company Ltd.

Detroit, Michigan
February 7, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 6,101,250	$ 2,922,789
Grants, contracts, and other receivables	708,830	600,022
Developer fee receivable	191,000	191,000
Prepaid expenses	111,078	32,412
	7,112,158	3,746,223
PROPERTY AND EQUIPMENT - NET	3,371,062	3,103,842
INVESTMENTS		
Investments, including endowments	4,095,223	3,336,901
Beneficial interest - Foundation assets	13,456	10,950
Investment in limited liability companies	141,515	197,700
	4,250,194	3,545,551
OTHER ASSETS		
Developer fee receivable - Long-term (net of discount of $25,215)	262,575	133,410
Property held for sale	151,700	151,700
Rental units - Net	860,184	889,592
	1,274,459	1,174,702
	$ 16,007,873	$ 11,570,318

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 535,413	$ 152,978
Accrued liabilities	492,408	259,409
Deferred revenue	3,004,670	
Notes payable - Current portion	129,417	282,091
	4,161,908	694,478
LONG-TERM LIABILITIES		
Forgivable HUD loan	100,000	100,000
Notes payable - Net	298,754	605,930
	4,560,662	1,400,408
NET ASSETS		
Without donor restrictions	9,657,478	8,598,535
With donor restrictions	1,789,733	1,571,375
	11,447,211	10,169,910
	$ 16,007,873	$ 11,570,318

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE, AND OTHER INCOME			
Government grants	$ 4,953,228		$ 4,953,228
Contributions			
General	1,780,640	$ 59,136	1,839,776
Foundations and community trusts	1,616,685		1,616,685
Donated goods and services	3,586,306		3,586,306
Rental income			
Rental units - Section 8	140,838		140,838
Non-operating	124,062		124,062
Program fees	188,604		188,604
Events revenue	500,638		500,638
Investment return - Net	584,480	321,758	906,238
Change in beneficial interest		3,012	3,012
Miscellaneous income	807,299		807,299
Developer fee	129,165		129,165
Net assets released from restrictions	165,548	(165,548)	
	14,577,493	218,358	14,795,851
EXPENSES			
Program services	11,390,109		11,390,109
Management and general	950,068		950,068
Fundraising	1,178,373		1,178,373
	13,518,550		13,518,550
CHANGE IN NET ASSETS	1,058,943	218,358	1,277,301
NET ASSETS - BEGINNING OF YEAR	8,598,535	1,571,375	10,169,910
NET ASSETS - END OF YEAR	$ 9,657,478	$ 1,789,733	$ 11,447,211

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE, AND OTHER INCOME			
Government grants	$ 2,039,900		$ 2,039,900
Contributions			
General	1,865,974		1,865,974
Foundations and community trusts	1,420,163	$ 105,035	1,525,198
Donated goods and services	1,830,624		1,830,624
Rental income			
Rental units - Section 8	85,183		85,183
Non-operating	120,784		120,784
Program fees	223,908		223,908
Events revenue	540,877		540,877
Investment return - Net	55,970	32,331	88,301
Change in beneficial interest		(27,247)	(27,247)
Miscellaneous income	110,028		110,028
Developer fee	274,410		274,410
Net assets released from restrictions	124,782	(124,782)	
	8,692,603	(14,663)	8,677,940
EXPENSES			
Program services	5,327,267		5,327,267
Management and general	640,656		640,656
Fundraising	1,216,176		1,216,176
	7,184,099		7,184,099
OPERATING INCOME	1,508,504	(14,663)	1,493,841
ACQUISITION CONTRIBUTION	5,587,981	1,547,841	7,135,822
CHANGE IN NET ASSETS	7,096,485	1,533,178	8,629,663
NET ASSETS - BEGINNING OF YEAR	1,502,050	38,197	1,540,247
NET ASSETS - END OF YEAR	$ 8,598,535	$ 1,571,375	$ 10,169,910

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services						
	Emergency Services	Stability Services	Housing and Community Development	Total	Management and General	Fundraising	Total
Client needs	$ 4,553,335	$ 92,149		$ 4,645,484		$ 286,730	$ 4,932,214
Client housing aid	2,651,654	648,271	$ 759	3,300,684			3,300,684
Home rehabilitation and construction		847	15,484	16,331			16,331
Other	138,193	426		138,619		38,214	176,833
Salaries	1,303,026	593,606	6,914	1,903,546	$ 276,934	395,487	2,575,967
Payroll taxes and fringe benefits	213,923	119,075	1,034	334,032	111,749	69,720	515,501
Professional fees	217,983	3,433	1,361	222,777	36,183	154,902	413,862
Accounting and auditing		-			315,864		315,864
Travel and meeting expense	4,061	2,601		6,662	3,590	102	10,354
Supplies	17,903	1,844	1,730	21,477	11,427	249	33,153
Printing and publication	1,245			1,245	3,882	193,159	198,286
Volunteer/donor appreciation	14			14	12,409	1,982	14,405
Utilities	44,073	21,287	21,906	87,266	4,954	8,049	100,269
Facility maintenance	183,871	45,897	32,877	262,645	64,340		326,985
Insurance	14,406	14,443	17,829	46,678	39,007		85,685
Licenses and permits	1,074	11	26	1,111	4,171		5,282
Telephone and internet	26,634	27,760	5,070	59,464	3,962	6,438	69,864
Office Equipment	12,463	9,746	1,007	23,216	2,264	3,680	29,160
Dues and subscriptions	394	2,916	20	3,330	603	4,955	8,888
Payroll processing					13,649		13,649
Office expense		62		62	9,030	2,638	11,730
Interest		238	22,954	23,192			23,192
Investment and bank fees			9	9	27,193	17	27,219
Miscellaneous	(19,687)	44,418	(2,586)	22,145	1,441		23,586
Total expenses before depreciation	9,364,565	1,629,030	126,394	11,119,989	942,652	1,166,322	13,228,963
Depreciation	58,301	61,487	150,332	270,120	7,416	12,051	289,587
	$ 9,422,866	$ 1,690,517	$ 276,726	$ 11,390,109	$ 950,068	$ 1,178,373	$ 13,518,550

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services						
	Emergency Services	Stability Services	Housing and Community Development	Total	Management and General	Fundraising	Total
Client needs	$ 1,507,757	$ 220,273		$ 1,728,030			$ 1,728,030
Client housing aid	544,741	578,262		1,123,003			1,123,003
Home rehabilitation and construction			$ 21,110	21,110			21,110
Other	50,116	1,635		51,751		$ 77,179	128,930
Donated services					$ 105,725	405,338	511,063
Salaries	949,971	509,080	19,636	1,478,687	137,515	320,305	1,936,507
Payroll taxes and fringe benefits	149,447	100,239	3,700	253,386	115,324	58,923	427,633
Professional fees	63,744	28,416	716	92,876	23,855	127,994	244,725
Accounting and auditing					205,301		205,301
Travel and meeting expense	5,087	15,553		20,640	20,931	2,901	44,472
Supplies	3,872	2,523		6,395	9,045	1,262	16,702
Printing and publication					385	148,678	149,063
Volunteer/donor appreciation					1,193	377	1,570
Utilities	41,577	2,123		43,700	35,658		79,358
Facility maintenance	75,765	52,636	5,954	134,355	38,570	11,002	183,927
Insurance	9,057	16,340	7,235	32,632	33,527		66,159
Licenses and permits	399	1,862		2,261		150	2,411
Telephone and internet	18,534	15,816	587	34,937	19,565		54,502
Dues and subscriptions	1,289	2,750		4,039	1,946	3,510	9,495
Payroll processing	8,591	4,558	175	13,324	1,227	2,980	17,531
Office expense					4,784		4,784
Interest			27,954	27,954			27,954
Investment and bank fees					36,081	252	36,333
Total expenses before depreciation	3,429,947	1,552,066	87,067	5,069,080	790,632	1,160,851	7,020,563
Depreciation	57,605	27,147	29,724	114,476	24,530	24,530	163,536
	$ 3,487,552	$ 1,579,213	$ 116,791	$ 5,183,556	$ 815,162	$ 1,185,381	$ 7,184,099

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,277,301	$ 8,629,663
Noncash items included in operations:		
Depreciation	289,587	163,536
Realized and unrealized gains on investments	(783,127)	(5,223)
Debt forgiveness	(398,000)	
Acquisition gain and contribution	(301,655)	(7,135,822)
Change in beneficial interest	(2,506)	27,247
Increase (decrease) in cash caused by changes in current items:		
Grants, contracts, and other receivables	(108,808)	(213,973)
Developer fee receivable	(129,165)	(274,410)
Prepaid expenses	(78,666)	61,011
Other assets		8,810
Accounts payable and accrued liabilities	615,434	96,261
Deferred revenue	3,004,670	
Net cash flow provided from operations	3,385,065	1,357,100
CASH FLOW PROVIDED FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(527,399)	(29,274)
Investment in limited liability company	301,655	(56,185)
Purchases of investments and reinvested earnings	(891,267)	(790,872)
Proceeds from sales of investments	972,257	815,593
Cash acquired in acquisition		826,954
	(144,754)	766,216
CASH FLOW PROVIDED FROM FINANCING ACTIVITIES		
Proceeds from long-term debt		398,000
Repayments of long-term debt	(61,850)	(114,218)
	(61,850)	283,782
INCREASE IN CASH AND CASH EQUIVALENTS	3,178,461	2,407,098
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,922,789	515,691
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,101,250	$ 2,922,789
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	$ 23,192	$ 18,106
NONCASH INVESTING ACTIVITIES		
Assets and liabilities acquired in acquisition of not-for-profit entity:		
Current assets		$ 216,172
Property and equipment		2,776,587
Operating and endowment investments		3,126,091
Other noncurrent assets		1,070,700
Current liabilities		(274,452)
Forgivable HUD loan		(100,000)
Long-term debt		(506,230)
Total noncash acquisition		$ 6,308,868

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ENTITY

Business Combination

On July 1, 2019, South Oakland Shelter (SOS) acquired Lighthouse of Oakland County, Inc. (LOC), in accordance with an Acquisition Plan and Agreement (Agreement). In accordance with accounting principles generally accepted in the United States (GAAP), the terms of the Agreement, the composition of each entity's management, composition of the new board of directors, as well as the respective assets and liabilities of each entity were considered in determining that the transaction was an acquisition, with SOS being the acquirer. Under GAAP, the assets acquired and liabilities assumed were recorded at their fair values as of July 1, 2019. The fair value of the acquired assets exceeded the fair value of liabilities assumed, resulting in an inherent contribution of $7,135,822 that is reflected in the accompanying statement of activities. No consideration was transferred in conjunction with the acquisition (see Note 3).

In connection with the transaction, SOS changed its name to "Lighthouse MI", and Lighthouse of Oakland County changed its legal structure from a non-stock directorship not-for-profit to become a non-stock membership not-for-profit, with SOS (Lighthouse MI) as the sole member.

SOS and LOC established the Agreement in order to increase effectiveness and better serve the needs of their respective clients and communities.

On January 1, 2021, Lighthouse MI in accordance with an Assignment and Assumption Agreement was assigned all of the rights, titles, and interest to Whittemore Street LLC (Whittemore Street). No consideration was transferred in conjunction with this assignment.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Lighthouse MI (Lighthouse, formerly known as SOS), and its wholly owned subsidiaries LOC, Spero Housing Group (Spero), and Whittemore LLC (collectively the Organization).

SOS originally formed Spero for the purpose of developing and operating affordable and supportive housing. Spero has partnered with an unrelated non-profit entity to form Coolidge Place Limited Dividend Housing Association (Coolidge Place LDHA). Spero is a limited partner of Coolidge Place LDHA. The general partner of Coolidge Place LDHA is Spero Coolidge Place, Inc., which is 100% owned by Spero.

All significant intercompany transactions have been eliminated in consolidation.

Nature of Operations

SOS (dba and hereafter referred to as Lighthouse MI, Lighthouse, or the Organization) is a 501(c)(3) non-profit social service agency located in Oakland County, Michigan. Established in 2019 when SOS and LOC merged, Lighthouse has a combined history of 81 years of strengthening the local community in Oakland County, Michigan and serving people experiencing crisis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ENTITY (Continued)

Nature of Operations (continued)

Lighthouse serves men, women, and children living in poverty and at-risk of, experiencing, or recovering from homelessness. This includes people experiencing homelessness for the first time as well as those experiencing chronic homelessness and families escaping domestic violence. Many of the people served are living with a disability, including substance abuse and/or mental health conditions. Others are housed but are rent burdened and struggle from food and economic insecurities. With offices and residential properties in Lathrup Village, Pontiac, Oak Park, Waterford and Clarkston, 65% of households served reside in Pontiac with the top three cities served being Pontiac, Waterford, and Clarkston. Lighthouse addresses the immediate, emergency needs of community members by quickly providing access to flexible, client-centered, and housing-first programming, and focuses on long-term systems change and affordable housing development.

Lighthouse’s mission is to build equitable communities and alleviate poverty in partnership with and in service to individuals, families, and organizations.

Lighthouse’s vision is to alleviate poverty through implementing adaptive programming and building meaningful and impactful relationships with the people served, community partners, and the community at large. Lighthouse’s vision reflects a relentless pursuit of its values and mission and leverages its skills, assets, and resources to create long-lasting impact on the people and community served.

Nature of Program Services

Emergency Services

These program services include partnering with congregations throughout Oakland County to provide year-round emergency shelter; the operation of two food pantries in Pontiac and Clarkston; assisting households experiencing homelessness with obtaining safe and affordable housing through financial assistance for application fees, security deposits, and short to medium rentals, among others; assistance with paying past due utilities and preventing disconnection; food delivery and help with special needs for senior citizens; and providing funds for day-to-day needs such as bus tickets, minor car repairs, household supplies, personal care items, and infant care.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ENTITY (Continued)

Nature of Program Service (continued)

Stability Services

Lighthouse's Stability Services provide long-term services to households in need to help restabilize within their newly secured homes. Services include providing a two-year transitional housing program to homeless mothers with children. Lighthouse's transitional housing programs provide a safe and structured environment; intensive case management services; individual and group counseling focused around issues such as domestic violence, substance abuse, depression, and anxiety; and "Empowerment and Life Skill" classes to help improve financial literacy, better equip mothers essential parenting tools, and support their employment and educational goals. Stability programs also include providing permanent supportive housing to households experiencing chronic homelessness, often due to substance abuse and or mental illness, by combining long-term housing with intensive case management. Long-term housing activities also involve employment and financial coaching and income support. Households who successfully exit transitional or permanent supportive housing programs are provided an additional one year of in-home case management services through Lighthouse's follow-up care program.

Housing and Community Development

These activities focus on affordable housing development. Part of Lighthouse's long-term impact strategy is to create systems change largely by addressing affordable housing gaps throughout Oakland County. A chartered NeighborWorks America organization, Lighthouse's growing work in this area currently includes developing affordable and supportive housing, managing a portfolio of single and multi-family housing, and partnering with a variety of organizations and businesses in Pontiac and within the region around community and economic development initiatives.

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Lighthouse and its financial results will depend on future developments, including the duration and spread of the outbreak within the geographic area in which it operates and the related impact on consumer confidence and contributions and grants, all of which are highly uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

Management uses estimates and assumptions in preparing its consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be material.

Reclassifications

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

Revenue Recognition

Revenue From Contracts With Customers

Program fees – Program fees represent amounts charged directly to clients and other recipients of the Lighthouse programs. These fees are normally associated with a single performance obligation that is recognized at a point in time when the service is delivered.

Events revenue - Events revenue includes amounts received from customers to sponsor, fundraise for, and attend special events. Events revenue typically includes an exchange and contribution portion. The exchange portion is considered to represent a single performance obligation of executing the special event and allowing customers to attend the special event, and is recognized at a point in time once the special event has concluded.

Developer fee - Developer fee revenue represents fees earned to co-develop Coolidge Place LDHA, a low-income housing tax credit project, by negotiating and assisting in the planning of construction, establishing and implementing appropriate administrative and financial controls, obtaining and maintaining insurance coverage, inspecting the progress of construction, and assembling and maintaining all documents related to the Coolidge Place LDHA project. All such contractual promises are considered to be inputs to achieve a single performance obligation, namely, timely completion of the project. The performance obligation is recognized over time, using the percentage-of-completion of the project as an output measurement to recognize revenue. The developer fee is considered to have a financing component and has been discounted to reflect the expected long-term collection period provided for in the development agreement.

Total revenue recognized under contracts from customers amounted to approximately $782,000 and $1,039,000 for the years ended June 30, 2021 and 2020, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Contributions

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has approximately $3 million of deferred revenue related to such grants as of June 30, 2021, which is principally related to its Covid Emergency Rental Assistance (CERA) grant. There was no deferred revenue at June 30, 2021. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were required to be returned during June 30, 2021, or 2020.

A portion of the Organization’s revenue is derived from unit of service grants in which the amount to be paid by the grantor is determined by a formula based on units of service provided by the Organization. A maximum amount to be paid over the course of the grant is specified within the grant contract. Units-of-service grants are recognized as revenue and receivables as the services are rendered using the agreed upon rate per unit that are billed in compliance with specific contract or grant provisions.

Donor-restricted support that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, including endowment-type contributions, which require that the gift be maintained in perpetuity. Investment earnings on assets that bear permanent donor restrictions are recorded in net assets with donor restrictions and are released from restrictions when those amounts are appropriated for expenditure by the Organization. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Rental Income

The Organization receives rental income from leasing a portion of its corporate facilities, and from its U.S. Housing and Urban Development (HUD) Section 8 rental properties. Rental income is recognized on a monthly basis for the rent due for that month. Rents received in advance of the month to which they relate are reported as deferred income in the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, except those held in the Organization’s investment and endowment accounts, purchased with an original maturity of three months or less.

From time to time throughout the year, the Organization’s cash balances in bank accounts may exceed the limits of related federal deposit insurance.

Developer Fee Receivable

The developer fee receivable is due under the related development agreement for Coolidge Place LDHA. Under the agreement, the fee is to be paid from project cash flow, and if not paid, is to be converted to equity upon expiration of the tax credit period. The receivable has been reduced to its estimated present value to reflect the expected long-term collection period using a discount rate of 5.00%. The Organization expects to collect portions of the developer fee each year through June 30, 2027.

Grants, Contracts, and Other Receivables

Grants, contracts, and other receivables include amounts due from grants, program service fees, and contributions. These amounts are due under various payment terms and do not accrue interest.

The carrying amount of receivables is reduced by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected. Management individually reviews all receivable balances and estimates the portion, if any, of the balance that will not be collected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management has determined that no valuation allowance was needed as of June 30, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Rental Units

Property and equipment purchased are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. The Organization capitalizes all individual expenditures, or for multiple units of the same asset, for property and equipment in excess of $5,000. Routine maintenance and repairs are charged to expense as incurred. Property and equipment acquired through the business combination (see Note 3) have been recorded at their fair values.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	3 - 21 years
Buildings	7 - 39 years
Equipment	3 - 21 years
Vehicles	3 years

Rental units are stated net of accumulated depreciation of $58,816 and $29,408, at June 30, 2021 and 2020, respectively.

Management reviews these assets for impairment whenever events or changes in circumstances indicate that carrying values may not be recoverable.

Operating and Endowment Investments

Operating and endowment investments are carried at fair value and consist of marketable equity and debt securities. Realized and unrealized gains or losses are reflected in the accompanying statement of activities.

Investment in Limited Liability Companies

The investment in Whittemore LLC was accounted for at fair value at July 1, 2019, and subsequently using the cost method due to Whittemore LLC being a limited liability company and the Organization's de minimus .0048% membership interest. The investment was recorded at $0 based on estimated fair value at July 1, 2019. During the year ended June 30, 2021, in accordance with the operating agreement, Lighthouse acquired full ownership of all LLC interests in Whittemore, becoming the sole member. As a result of the transaction, management recorded a gain of $301,665, which reflects the difference between estimated fair value of the underlying Whittemore property and the amount paid to acquire the remaining LLC interest. The investment is consolidated with the underlying property carried at the estimated fair value, less accumulated depreciation (the same treatment as Lighthouse's rental units discussed above).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Limited Liability Companies (continued)

The Organization, through its wholly owned subsidiary, Beacon Housing I, Inc., is a general partner of Beacon Housing Limited Partnership, which was organized to acquire, construct, own, and operate the Beacon Square apartments, a low-income housing tax credit project. There is also a limited partner that is unrelated to the Organization. The investment was accounted for at its fair value as of July 1, 2019, and since the Organization does not maintain control of the partnership as the limited partner possesses substantive participating rights, the investment is subsequently accounted for using the equity method. Because Beacon Housing I, Inc.'s general partnership percentage is .01%, the application of the equity method results in an immaterial amount, and thus no amounts are reflected in the accompanying consolidated financial statements.

Additionally, the Organization, through its wholly owned subsidiary, Spero, is a general partner of Coolidge Place LDHA. The Organization, along with the managing general partner, also has the right to purchase the project at the end of a specified amount of time as outlined in the Partnership Agreement. Coolidge Place LDHA distributes its Net Cash Flow, as defined, to its partners in accordance with their capital accounts. The Organization receives 47% of Net Cash Flow and was required to make a nominal initial capital contribution.

There is a limited partner that has made, or is legally committed to make, over 99% of the capital contributions to Coolidge Place LDHA. The Amended and Restated Agreement of the Limited Partnership enumerates several limitations upon the authority of the general partners, and as such, the limited partner is deemed to hold substantive participating rights in Coolidge Place LDHA. Accordingly, Coolidge Place LDHA is not consolidated in the accompanying consolidated financial statements of the Organization and its investment in Coolidge Place LDHA is accounted for using the equity method.

Management reviews these investments for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable.

Beneficial Interest - Foundation Assets

During 2010, the Organization established a fund that is held and managed with the Community Foundation of Southeast Michigan (CFSEM) (an unrelated non-profit foundation) by engaging in a "reciprocal transfer" as defined by GAAP. A "reciprocal transfer" involves a resource provider (the Organization) contributing assets to a recipient entity (CFSEM) and designating itself as the beneficiary of those assets and any income generated therefrom. The Organization granted "variance power" to CFSEM, whereby CFSEM has the duty and power to modify any restriction or condition on the distribution of the contributed funds if, in the judgment of CFSEM's Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with CFSEM's charitable mission.

GAAP requires that the fair value of the reciprocal transfer, plus any undistributed earnings thereon, be included as an asset in the Organization's statement of financial position. GAAP also requires that the original net asset classification of the underlying funds transferred be maintained. The fair value is adjusted annually based on the fair value of the fund, as reported by CFSEM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization recognizes the value of contributed services if the contributed service received creates or enhances non-financial assets or requires specialized skills (such as for professional services) that are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The value of contributed services that do not meet these criteria is not recognized. The Organization has a significant number of non-specialized volunteers whose volunteer hours are an integral part of its mission. The value of such hours, however, is not recognized in the accompanying consolidated financial statements because the related services do not meet the requirements for recognition discussed above.

Donated Goods

Donated food is recorded as income and expense when the food is received, based on a value of $1.67 per pound, which approximates the average fair value of the food donated. Donated clothing and other goods are recorded as both income and expense on the date the donation is received and are valued at their estimated fair value. If fair value cannot be reasonably estimated, no value for the donated items is recorded. Donated food, clothing, and other goods that have not been distributed to the needy at year end are not recorded as donated inventory because management does not believe the value of such undistributed food, clothing, and other goods is material to the consolidated financial statements.

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy (facility) costs, which are allocated on a square footage basis, salaries and benefits, which are allocated on the basis of estimates of time and effort, and overhead costs, such as facility maintenance and depreciation, which are allocated based on budgeted revenue charged to each function. Supplies, mileage, travel, and training are charged on the basis of actual invoice costs.

Forgivable Loans

Absent specific guidance in GAAP, the Organization accounts for forgivable loans as debt in accordance with Accounting Standards Codification (ASC) 470 – *Debt* and accrues interest in accordance with the interest method under ASC 835-30 – *Interest - Imputation of Interest*. Accordingly, proceeds from such loans are recorded as a liability until either the loan is, in part or wholly forgiven and the debt has been legally released or the loan is paid off. In addition, the Organization has elected to classify the portion of the loan that is to be forgiven as current debt and the remainder, if any, as long-term.

Income Taxes

The Organization is a Michigan non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the years ended June 30, 2021 and 2020, the Organization did not have a liability for unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through February 7, 2022, the date the consolidated financial statements were available to be issued.

3. BUSINESS COMBINATIONS

The fair value of assets acquired and liabilities assumed in connection with the business combination between SOS and LOC discussed in Note 1 are as follows at July 1, 2019:

Assets acquired:	
Cash and cash equivalents	$ 826,954
Grants, contracts, and other receivables	141,318
Prepaid expenses	74,854
Property and equipment	2,776,587
Property held for sale	151,700
Rental units	919,000
Operating and endowment investments	3,126,091
	8,016,504
Liabilities assumed:	
Accounts payable	52,947
Accrued liabilities	221,505
Forgivable HUD loan	100,000
Long-term debt	506,230
	880,682
Total identifiable net assets and acquisition contribution	$ 7,135,822

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets are composed of the following approximate amounts at June 30:

	2021	2020
Cash and cash equivalents	$ 6,101,000	$ 2,923,000
Grants, contracts, and other receivables	709,000	600,000
Developer fee receivable	454,000	324,000
Operating and endowment investments	4,095,000	3,337,000
Total financial assets	$ 11,359,000	$ 7,184,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets available within one year to meet general expenditures are as follows:

	2021	2020
Financial assets	$ 11,359,000	$ 7,184,000
Less:		
Cash and investments subject to expenditure for specified purpose (including deferred revenue of approximately $3,000,000)	3,181,000	226,000
Endowments with donor restrictions:		
Principal portion (see Note 10)	1,140,000	1,140,000
Unspent income subject to appropriation (less $75,000 anticipated appropriation in fiscal year 2022)	341,000	134,000
Developer fee receivable not expected to be collected in the next twelve months	263,000	133,000
Board designated endowment and capital reserve (less $46,000 anticipated appropriation in fiscal year 2022)	1,163,000	1,163,000
Financial assets available within one year to meet cash needs for general expenditures	$ 5,271,000	$ 4,388,000

The Organization manages its liquidity by considering anticipated grant and contribution revenue against anticipated general expenses. As such, the Organization expects future grant and contribution revenue in the next twelve months to cover general expenditures. Additionally, the Organization maintains lines of credit with a bank (see Note 7) for the purposes of maintaining liquidity for general expenditures as necessary. The Organization also has board designated net assets. While the Organization does not intend to spend these board designated amounts for purposes other than those identified, the amounts could be made available for current operations if necessary.

5. PROPERTY AND EQUIPMENT – NET

Property and equipment – net consisted of the following assets at June 30:

	2021	2020
Land and land improvements	$ 585,200	$ 585,200
Buildings	3,198,587	2,766,959
Equipment	95,539	95,539
Vehicles	85,587	50,587
	3,964,913	3,498,285
Less: Accumulated depreciation	593,851	394,443
	$ 3,371,062	$ 3,103,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENT

The various inputs that may be used to determine the fair value of the Organization's assets are summarized in three broad levels:

Level 1	Quoted prices for identical assets or liabilities in active markets
Level 2	Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
Level 3	Significant unobservable inputs (including the Organization's own assumptions used to determine value)

Mutual funds and money market funds are valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and money market funds are deemed to be actively traded.

Exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

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

Assets measured at fair value on a recurring basis are comprised of the following investments at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments, including endowments				
Mutual funds	$ 2,912,223			$ 2,912,223
Exchange traded funds	1,008,385			1,008,386
Money market funds	174,615			174,615
	$ 4,095,223			$ 4,095,223

Assets measured at fair value on a recurring basis are comprised of the following investments at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments, including endowments				
Mutual funds	$ 2,377,165			$ 2,377,165
Exchange traded funds	790,713			790,713
Money market funds	169,023			169,023
	$ 3,336,901			$ 3,336,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Beneficial Interest - Foundation Assets

The beneficial interest is valued at net asset value (NAV) as a practical expedient in accordance with GAAP. The CFSEM invests funds in equities, fixed income, alternative, and other investments, and provides the Organization with the fair value of its share of the investment pool. CFSEM and its reporting of the NAV to the Organization meet the requirements for excluding the beneficial interest from the fair value hierarchy in accordance with GAAP. CFSEM has reported the fair value of these investments as $13,456 and $10,950 at June 30, 2021 and 2020, respectively. As discussed in Note 2, due to the Organization granting variance power to CFSEM, the Organization may not redeem the investments, and may only receive distributions as determined by CFSEM.

7. LINES OF CREDIT

The Organization has two lines of credit with a bank that allow for borrowings up to $150,000 and $250,000, respectively. Borrowings on the lines, which are renewed annually, are due on demand. Borrowings under the lines of credit are secured by properties located at 46156 Woodward Avenue, Pontiac, Michigan and 130 Center Street, Pontiac, Michigan, respectively, and bear interest at the prime rate plus 0.25% (effective annual rate of 3.50% at June 30, 2021 and 2020).

The Organization has an additional $100,000 line of credit with a bank. Borrowings are due on demand and bear interest at the prime rate plus 1% (effective annual rates of of 4.25% at June 30, 2021 and 2020). Borrowings are secured by property located at 130 Center Street, Pontiac, Michigan.

There were no outstanding borrowings on any of the lines at June 30, 2021 and 2020.

8. NOTES PAYABLE

Notes payable consists of the following obligations at June 30:

	2021	2020
Note payable to a bank; due in monthly installments of $4,512, including interest at 4.52% per annum, through July 2022, when the remaining unpaid principal balance is due; collateralized by real property. Cross-defaulted with all other debt.	$ 287,826	$ 327,769
Note payable; due in quarterly installments of $4,000, plus interest at 6.00% per annum through December 2023. As of June 30, 2021, no interest or principal has been paid and unpaid interest is included with accrued liabilities. The note is unsecured.	140,345	140,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. NOTES PAYABLE (Continued)

*Paycheck Protection Program loan		398,000
Land contract; due in monthly installments of $3,182, plus interest at 5.00% per annum through January 2021. The note is collateralized by real property.		21,907
	428,171	888,021
Less: Current portion	129,417	282,091
	$ 298,754	$ 605,930

*The Organization received proceeds from a bank of $398,000 as guaranteed by the Small Business Administration's Paycheck Protection Program. The Organization secured these funds in order to help keep its workforce employed during the COVID-19 pandemic. The loan can be 100% forgiven as long as the Organization meets specific criteria, as defined, for a period of up to twenty-four weeks following receipt of the loan proceeds. This includes maintaining a certain level of employee headcount and compensation during that time period as well as demonstrating that the money was used for payroll costs, rent, mortgage interest, or utilities. The Organization received full forgiveness during the year ended June 30, 2021.

Future minimum principal payments of notes payable are scheduled as follows:

Year ending June 30,	
2022	$ 129,417
2023	298,754
	$ 428,171

Total interest expense was $23,192 and $27,954 for the years ended June 30, 2021 and 2020, respectively.

9. FORGIVABLE HUD LOAN

The Organization has a City of Pontiac development loan agreement dated July 28, 2011, issued by HUD as part of the HOME Investment Partnership Program for the purposes of increasing the supply of decent, safe, sanitary, and affordable housing for low income persons. This agreement has an affordability period of 15 years from inception, and requires the dwelling units acquired and rehabilitated using these funds be occupied by individuals at or below 80% of the area median income. The loan is non-interest bearing and is secured by the real estate acquired with the loan funds. At the conclusion of the 15-year affordability period, the loan principal will be forgiven by HUD, with no payments being required, as long as the terms of the agreement as described above have been met.

The forgivable nature of the loan, along with the zero percent interest rate, resulted in the original balance being written down to estimated fair value of $100,000 at July 1, 2019, in connection with the business combination discussed in Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2021:

	2021	2020
Subject to expenditure for specified purpose:		
Emergency services	$ 63,324	$ 108,958
Restricted for future investment in HUD programs	117,311	117,311
	180,635	226,269
Endowments (see Note 11)		
Subject to Organization spending policy and appropriation	456,112	194,626
Principal portion	1,139,530	1,139,530
	1,595,642	1,334,156
Beneficial interest – Foundation assets	13,456	10,950
	$ 1,789,733	$ 1,571,375

The Organization's net assets without donor restrictions consist of the following undesignated and Board designated amounts at June 30, 2021 and 2020:

	2021	2020
Board designated		
Operating reserve	$ 627,248	$ 488,133
Board designated endowment	1,136,922	922,301
Capital reserve	357,781	286,373
	2,121,951	1,696,807
Undesignated	7,535,527	6,901,728
	$ 9,657,478	$ 8,598,535

11. ENDOWMENTS

The Organization's endowment funds consist of funds with donor restrictions and board designated funds. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 not subject to appropriation or expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ENDOWMENTS (Continued)

The remaining portion of the donor-restricted endowment fund that is classified as net assets with donor restrictions will be released from restrictions when those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

The endowment funds are managed according to the Organization's investment policy. That policy's objective is the preservation of capital and appreciation of principal on an inflation-adjusted basis, while supporting the Organization's activities. The objective is accomplished by utilizing a strategy of equities and fixed income investments within certain percentage ranges of assets held as approved by the investment committee of the Board.

The Organization considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes 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

Return Objectives and Risk Parameters

The Organization has adopted investment policies for donor-restricted endowment assets to achieve a consistent total rate of return (income and reinvested funds) within reasonable and prudent levels of risk that will generate a sufficient income stream while preserving and enhancing the original principal of funds invested.

Strategies Employed for Achieving Objectives

The Organization's endowment investment strategy is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for endowment assets shall be to preserve purchasing power after spending to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of endowment assets. Risk control is an important element in the investment of endowment assets. The secondary objective is long-term growth of capital while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Allowable assets include cash equivalents, fixed income securities, equity securities, and mutual funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy provides enough flexibility to meet the shorter-term operating obligations and yet meet a long-term goal of yielding an absolute real rate of return of 4.5% above inflation.

Community Foundation of Southeastern Michigan

The Organization is the beneficiary of an endowment fund (the Fund) established by third-party gifts at the CFSEM. As beneficiary, the Organization is entitled to an annual distribution of the Fund's earnings. However, assets in the Fund, which totaled approximately $2,300,000 and $1,896,000 at fair value at June 30, 2021 and 2020, respectively, are excluded from the accompanying consolidated financial statements because the CFSEM has explicit variance power over such assets.

The funds are maintained and administered by the CFSEM for the purpose of providing support to the Organization's objectives for as long as such support shall be necessary, and if such support is no longer necessary, to provide support in furtherance of the general charitable purposes of the Organization. Total income distributed was approximately $86,000 and $44,000 for the years ended June 30, 2021, and 2020, respectively, and is included with foundations and community trusts in the statement of activities.

Donor-Restricted Endowments

Net assets with donor restrictions at June 30, 2021 and 2020, include donor endowments of $1,595,642 and $1,334,156, respectively.

Donor endowments are composed of the Noreen Keating Endowment, which began with an initial donation of $1,000,000, the William Randolph Hearst Endowment, which began with an initial donation of $100,000, and other individual gifts.

Earnings from the William Randolph Hearst Endowment are to be used to assist with funding programs on financial education, financial counseling, and home ownership.

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 SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2021 and 2020. The Organization has a policy of first using endowment earnings to restore any portion of the endowment that is under water.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2021, are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - July 1, 2020	$ 922,301	$ 1,334,156	$ 2,256,457
Investment return - Net	265,736	321,758	587,494
Appropriations	(51,115)	(60,272)	(111,387)
Endowment net assets - June 30, 2021	$ 1,136,922	$ 1,595,642	$ 2,732,564

Donor - Restricted Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2020, are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - July 1, 2019			
Net assets of LOC acquired	$ 948,014	$ 1,366,004	$ 2,314,018
Investment return - Net		32,331	32,331
Appropriations	(25,713)	(64,179)	(89,892)
Endowment net assets - June 30, 2020	$ 922,301	$ 1,334,156	$ 2,256,457

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The Organization disaggregates revenue based on the method of measuring satisfaction of the performance obligation either over time or at a point in time. Revenue is otherwise disaggregated as presented in the accompanying statement of activities. Substantially all revenue from contracts with customers is recognized at a point in time for the years ended June 30, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. NON-OPERATING RENTAL INCOME

The Organization leases a portion of its operating facility to an unrelated third party under a non-cancellable operating lease agreement. The lease requires monthly lease payments of $7,917 per month through August 2020, and then monthly lease payments of $8,399 per month through August 2023.

Future minimum rental receipts for the years subsequent to June 30, 2021, are scheduled as follows:

Year ending June 30,	
2022	100,788
2023	100,788
2024	16,798
	$ 218,374

In addition, the Organization leases a portion of its PATH facility on a month-to-month basis to an unrelated third party for $2,425 per month.

Total non-operating rental income was approximately $124,000 and $121,000 for the years ended June 30, 2021 and 2020, respectively.

14. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan (the Plan). Under the Plan, all eligible employees are permitted to contribute up to a stipulated percentage of gross compensation, up to a maximum determined by the Internal Revenue Code. Employees may also make taxable Roth contributions into the Plan. The Organization may make discretionary contributions to eligible employees based on an employee's taxable wage base. The Organization's contributions to the Plan were approximately $42,000 and $28,500 for the year ended June 30, 2021, and 2020, respectively.

15. COMMITMENTS

The Organization has non-cancellable operating leases for office space and various office equipment, which expire at various dates through June 2022. Lease payments range from approximately $170 to $5,500 per month.

Total future minimum rental payments required on non-cancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2021, are as follows:

Year ending June 30,	
2022	$ 88,233
2023	20,063
2024	20,063
2025	19,690
2026	352
	$ 148,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS (Continued)

Rent expense amounted to approximately $151,000 and $57,000 for the years ended June 30, 2021 and 2020, respectively.

16. RISKS AND UNCERTAINTIES

The impact of the coronavirus (COVID-19) outbreak on the financial performance of the Organization’s investments, donor support, and federal funding, will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or overall economy are impacted for an extended period, the Organization’s financial results may be materially affected.