Lighthouse MI

Consolidated Financial Statements
June 30, 2022 and 2021

Cohen & Co

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LIGHTHOUSE MI

JUNE 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
Lighthouse MI

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lighthouse MI as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lighthouse MI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Lighthouse MI's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lighthouse MI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 28, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 5,147,489	$ 6,101,250
Grants, contracts, and other receivables	1,102,832	708,830
Developer fee receivable	191,000	191,000
Prepaid expenses	259,335	111,078
	6,700,656	7,112,158
PROPERTY AND EQUIPMENT - NET	3,232,694	3,371,062
INVESTMENTS		
Investments, including endowments	3,366,970	4,095,223
Beneficial interest - Foundation assets	13,962	13,456
Investments in limited liability companies	141,515	141,515
	3,522,447	4,250,194
OTHER ASSETS		
Developer fee receivable - Long-term (net of discount of $190,709 and $160,425, respectively)	698,636	262,575
Property held for sale	151,700	151,700
Rental units - Net	830,776	860,184
	1,681,112	1,274,459
	$ 15,136,909	$ 16,007,873

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 308,315	$ 535,413
Accrued liabilities	610,349	492,408
Deferred revenue	2,547,331	3,004,670
Notes payable - Current portion	369,582	129,417
	3,835,577	4,161,908
LONG-TERM LIABILITIES		
Forgivable HUD loan	100,000	100,000
Notes payable - Net	20,345	298,754
	3,955,922	4,560,662
NET ASSETS		
Without donor restrictions	9,501,648	9,657,478
With donor restrictions	1,679,339	1,789,733
	11,180,987	11,447,211
	$ 15,136,909	$ 16,007,873

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE, AND OTHER INCOME (LOSS)			
Government grants	$ 20,940,030		$ 20,940,030
Contributions			
General	1,456,938	$ 288,500	1,745,438
Foundations and community trusts	1,277,768		1,277,768
Donated goods and services	1,528,792		1,528,792
Rental income			
Rental units - Section 8	138,887		138,887
Non-operating	134,984		134,984
Events revenue	827,393		827,393
Investment loss - Net	(377,393)	(216,038)	(593,431)
Miscellaneous income	101,040		101,040
Developer fee	621,248		621,248
Net assets released from restrictions	182,856	(182,856)	
	26,832,543	(110,394)	26,722,149
EXPENSES			
Program services	24,094,529		24,094,529
Management and general	1,341,309		1,341,309
Fundraising	1,552,535		1,552,535
	26,988,373		26,988,373
CHANGE IN NET ASSETS	(155,830)	(110,394)	(266,224)
NET ASSETS - BEGINNING OF YEAR	9,657,478	1,789,733	11,447,211
NET ASSETS - END OF YEAR	$ 9,501,648	$ 1,679,339	$ 11,180,987

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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services							
	Emergency Services	Stability Services	Housing and Community Development	Spero	Total	Management and General	Fundraising	Total
Client needs	$ 2,218,966	$ 122,346			$ 2,341,312		$ 230,363	$ 2,571,675
Client housing aid	17,040,374	659,124	$ 819		17,700,317			17,700,317
Home rehabilitation and construction		1,500	100,451		101,951			101,951
Other	73,823	5,142			78,965		112,298	191,263
Salaries	1,134,813	610,709	65,798	$ 27,635	1,838,955	$ 390,569	573,369	2,802,893
Payroll taxes and fringe benefits	220,766	117,733	11,427	4,799	354,725	46,757	96,741	498,223
Professional fees	826,934	30,395		16,170	873,499	41,215	297,259	1,211,973
Accounting and auditing	48,416	1,961		1,200	51,577	404,339		455,916
Travel and meeting expense	7,418	4,278			11,696	7,030	942	19,668
Supplies	3,491	1,242		2,722	7,455	9,952	1,322	18,729
Printing and publication						1,479	219,974	221,453
Volunteer/donor appreciation	117	4,340			4,457	1,199	11,578	17,234
Utilities	16,127	21,061			37,188	68,629	58	105,875
Facility maintenance	283,543	119,991	4,158		407,692	52,032	131	459,855
Insurance	37,598	20,365	12,724		70,687	42,032		112,719
Licenses and permits	558		820		1,378	119		1,497
Telephone and internet	7,483	10,237	410		18,130	56,339		74,469
Office equipment	204	174			378	33,676		34,054
Dues and subscriptions	4,170	6,130			10,300	25,341	8,135	43,776
Payroll processing						13,935	292	14,227
Office expense				41	41	15,433	73	15,547
Interest						20,505		20,505
Investment and bank fees	78				78	37,379		37,457
Miscellaneous	16		78		94	763		857
	21,924,895	1,736,728	196,685	52,567	23,910,875	1,268,723	1,552,535	26,732,133
Depreciation	32,594	121,652	29,408		183,654	72,586		256,240
	$ 21,957,489	$ 1,858,380	$ 226,093	$ 52,567	$ 24,094,529	$ 1,341,309	$ 1,552,535	$ 26,988,373

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
	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 CASH FLOWS

YEAR ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOW PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	$ (266,224)	$ 1,277,301
Noncash items included in operations:		
Depreciation	256,240	289,587
Realized and unrealized losses (gains) on investments	654,343	(783,127)
Debt forgiveness		(398,000)
Acquisition gain and contribution		(301,655)
Change in beneficial interest	(506)	(2,506)
Increase (decrease) in cash caused by changes in current items:		
Grants, contracts, and other receivables	(394,002)	(108,808)
Developer fee receivable	(436,061)	(129,165)
Prepaid expenses	(148,257)	(78,666)
Accounts payable and accrued liabilities	(109,157)	615,434
Deferred revenue	(457,339)	3,004,670
Net cash flow provided from (used in) operations	(900,963)	3,385,065
CASH FLOW PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(88,464)	(527,399)
Investment in limited liability company		301,655
Purchases of investments and reinvested earnings		(891,267)
Proceeds from sales of investments	73,910	972,257
	(14,554)	(144,754)
CASH FLOW USED IN FINANCING ACTIVITY		
Repayments of long-term debt	(38,244)	(61,850)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(953,761)	3,178,461
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,101,250	2,922,789
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,147,489	$ 6,101,250
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	$ 20,505	$ 23,192

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ENTITY

Principles of Consolidation

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

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

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 82 years of strengthening the local community in Oakland County, Michigan and serving people experiencing crisis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ENTITY (Continued)

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.

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 with 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. Lighthouse provides households who successfully exit transitional or permanent supportive housing programs an additional one year of in-home case management services.

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.

Spero

These program services focus on ensuring all member of the Metro Detroit Community have access to high quality affordable housing opportunities through rehabilitation and residential services.

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 accounting principles generally accepted in the United States of America 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,, and such differences may be material.

New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Organization's fiscal year 2022. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

Revenue Recognition

Revenue From Contracts With Customers

Program fees – Program fees represent amounts charged directly to clients and other recipients of Lighthouse's 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 with customers amounted to approximately $827,000 and $782,000 for the years ended June 30, 2022 and 2021, 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 a 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 $2,500,000 and $3,000,000 of deferred revenue related to such grants as of June 30, 2022 and 2021, respectively, which is principally related to its Covid Emergency Rental Assistance (CERA) grant. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of the grant. Certain grants require the funds to be returned to the grantor if advances exceed eligible costs. No funds were required to be returned during the years ended June 30, 2022, or 2021.

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 is specified in 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)

In-kind Contributions

Contributed services that create or enhance nonfinancial assets or that require special skills are recorded at their fair values in the period received. The Organization recognized contributed materials and services for contributed clothing, hygiene products, and food. Total contributed materials and services were approximately $1,517,000 and $12,000, respectively, for the year ended June 30, 2022. Total contributed materials were approximately $3,586,000 for the year ended June 30, 2021. No services were contributed or recorded during the year ended June 30, 2021.

The Organization valued such in-kind donations using estimates of the amounts it would pay if it were to purchase such items. All such in-kind donations are used in operations and are not otherwise converted to cash. 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.

Rental Income

The Organization receives rental income from leasing a portion of its corporate facility, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contracts, and Other Receivables (continued)

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 is needed as of June 30, 2022, and 2021.

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.

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.

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 $88,224 and $58,816, at June 30, 2022 and 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 the acquisition date, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 repaid. In addition, the Organization classifies 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.

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the years ended June 30, 2022, and 2021, the Organization did not have a liability for unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through February 28, 2023, the date the consolidated financial statements were available to be issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2022	2021
Cash and cash equivalents	$ 5,147,000	$ 6,101,000
Grants, contracts, and other receivables	1,103,000	709,000
Developer fee receivable	890,000	454,000
Operating and endowment investments	3,367,000	4,095,000
Total financial assets	$ 10,507,000	$ 11,359,000
Less:		
Cash and investments subject to expenditure for specified purposes (including deferred revenue of $2,500,000 and $3,000,000, respectively)	2,860,000	3,181,000
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 2023)	105,000	341,000
Developer fee receivable not expected to be collected in the next twelve months	699,000	263,000
Board designated endowment and capital reserve (less $61,000 anticipated appropriation in fiscal year 2023)	1,684,000	1,163,000
Financial assets available within one year to meet cash needs for general expenditures	$ 4,019,000	$ 5,271,000

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 6) to provide 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT – NET

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

	2022	2021
Land and land improvements	$ 585,200	$ 585,200
Buildings	3,198,587	3,198,587
Equipment	95,539	95,539
Vehicles	137,268	85,587
	4,016,594	3,964,913
Less: Accumulated depreciation	783,900	593,851
	$ 3,232,694	$ 3,371,062

5. 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, 2022:

	Level 1	Level 2	Level 3	Total
Investments, including endowments				
Mutual funds	$ 2,609,617			$ 2,609,617
Exchange traded funds	605,528			605,528
Money market funds	151,825			151,825
	$ 3,366,970			$ 3,366,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

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

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 has reported the fair value of these investments as $13,962 and $13,456 at June 30, 2022 and 2021, 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. The beneficial interest is not included within the fair value hierarchy as management considers it to be immaterial for such reporting.

6. LINES OF CREDIT

The Organization has three bank lines of credit that allow for borrowings up to $100,000, $150,000 and $250,000, respectively. Borrowings on the lines, which are renewed annually, are due on demand and are secured by property with a net book value of approximately $2.1 million. The lines bear interest at the prime rate plus 1% ($100,00 line) (effective annual rates of 5.75% and 4.25%) or 0.25% ($150,000 and $250,00 lines) (effective annual rate 5.00% and 3.50%) at June 30, 2022 and 2021, respectively.

There were no outstanding borrowings on any of the lines at June 30, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. NOTES PAYABLE

Notes payable consists of the following obligations at June 30:

	2022	2021
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.	$ 249,582	$ 287,826
Note payable; due in quarterly installments of $4,000, plus interest at 6.00% per annum through December 2023. As of June 30, 2022, no interest or principal has been paid and unpaid interest is included with accrued liabilities. The note is unsecured.	140,345	140,345
	389,927	428,171
Less: Current portion	369,582	129,417
	$ 20,345	$ 298,754

The Organization received proceeds from a bank of $398,000 during the year ended June 30, 2020 as guaranteed by the Small Business Administration's Paycheck Protection Program (PPP). The Organization secured these funds in order to help keep its workforce employed during the COVID-19 pandemic. Because the Organization met specific PPP loan criteria, as defined, for a twenty-four week period following receipt of the loan proceeds, including 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 loan was fully forgiven during the year ended June 30, 2021.

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

Year ending June 30,	
2023	$ 369,582
2024	20,345
	$ 389,927

Total interest expense was $20,504 and $23,192 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. 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 to increase the supply of decent, safe, sanitary, and affordable housing for low income persons. The 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 SOS' acquisition of Lighthouse of Oakland County.

9. NET ASSETS

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

	2022	2021
Subject to expenditure for specified purpose:		
Emergency services	$ 243,129	$ 63,324
Restricted for future investment in HUD programs	117,311	117,311
	360,440	180,635
Endowments (see Note 10)		
Earnings not yet appropriated for expenditure	165,407	456,112
Principal portion	1,139,530	1,139,530
	1,304,937	1,595,642
Beneficial interest – Foundation assets	13,962	13,456
	$ 1,679,339	$ 1,789,733

The Organization's net assets without donor restrictions consist of the following undesignated and Board designated amounts at June 30, 2022 and 2021:

	2022	2021
Board designated		
Operating reserve	$ 532,921	$ 627,248
Board designated endowment	899,751	1,136,922
Capital reserve	312,420	357,781
	1,745,092	2,121,951
Undesignated	7,756,556	7,535,527
	$ 9,501,648	$ 9,657,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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.

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 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 preserve the purchasing power of the original gift corpus and 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.

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

10. 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 $1,900,000 and $2,300,000 at fair value at June 30, 2022 and 2021, 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 $88,000 and $86,000 for the years ended June 30, 2022, and 2021, 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, 2022 and 2021, include donor endowments of $1,304,937 and $1,595,642, 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, 2022 and 2021. 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

10. ENDOWMENTS (Continued)

Donor - Restricted Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2022, are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - July 1, 2021	$ 1,136,922	$ 1,595,642	$ 2,732,564
Investment return - Net	(237,171)	(216,038)	(453,209)
Appropriations		(74,667)	(74,667)
Endowment net assets - June 30, 2022	$ 899,751	$ 1,304,937	$ 2,204,688

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

11. 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, 2022 and 2021.

12. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. NON-OPERATING RENTAL INCOME (Continued)

Future minimum rental receipts for the years subsequent to June 30, 2022, are scheduled as follows:

Year ending June 30,	
2023	100,788
2024	16,798
	$ 117,586

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 $135,000 and $124,000 for the years ended June 30, 2022 and 2021, respectively.

13. 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 $57,000 and $42,000 for the year ended June 30, 2022, and 2021, respectively.

14. COMMITMENTS

The Organization has non-cancellable operating leases for office space and various office equipment, which expire at various dates through June 2025. 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, 2022, are as follows:

Year ending June 30,	
2023	$ 48,336
2024	21,336
2025	21,336
	$ 91,008

Rent expense amounted to approximately $187,000 and $151,000 for the years ended June 30, 2022 and 2021, respectively.