

AUDITED FINANCIAL STATEMENTS
CHARLOTTE FAMILY HOUSING, INC.
CHARLOTTE, NORTH CAROLINA

June 30, 2014

CONTENTS

	<u>Page</u>
Independent Auditors' Report	3-4
Statement of Financial Position	5
Statement of Activities	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-20

J. RONALD MARTIN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1850 EAST THIRD STREET, SUITE 305
CHARLOTTE, NORTH CAROLINA 28204
704/375-6405
FAX 704/375-5827

INDEPENDENT AUDITORS' REPORT

Board of Directors
Charlotte Family Housing, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Family Housing, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Charlotte Family Housing, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Charlotte Family Housing, Inc.'s 2013 and 2012 financial statements, and our reports dated November 4, 2013 and January 17, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2013, and 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of Charlotte Family Housing, Inc.'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 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 Charlotte Family Housing, Inc.'s internal control over financial reporting and compliance.

January 12, 2015

J. Ronald Martin, P.A.

STATEMENT OF FINANCIAL POSITION

CHARLOTTE FAMILY HOUSING, INC.

June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Comparative Totals	
					2013	2012
ASSETS						
Cash and equivalents	\$ 337,350	\$ 117,350	\$ 1,034	\$ 455,734	\$ 394,115	\$ 726,139
Prepaid expenses	6,392			6,392	-0-	20,220
Accounts, grants, and other receivables	224,515	300,682	4,466	529,663	667,769	515,968
Property and equipment:						
Land, buildings and improvements	796,389		300,000	1,096,389	1,096,389	811,654
Furniture and equipment	264,894			264,894	258,482	206,604
Transportation equipment	47,891			47,891	57,891	97,191
Leasehold improvements	51,504			51,504	46,504	46,504
	1,160,678	-0-	300,000	1,460,678	1,459,266	1,161,953
(Less) accumulated depreciation	(621,305)			(621,305)	(553,030)	(521,012)
	539,373	-0-	300,000	839,373	906,236	640,941
Other Assets						
Foundation For The Carolinas funds	1,115,452		9,066	1,124,518	974,166	887,445
Escrow cash	150,712			150,712	99,164	45,432
Bargain use of land, net of amortization		47,879		47,879	49,721	51,563
Security deposits	10,000			10,000	9,570	9,820
JumpStart vehicles	2,494	15,400		17,894	5,856	-0-
	1,278,658	63,279	9,066	1,351,003	1,138,477	994,260
	<u>\$ 2,386,288</u>	<u>\$ 481,311</u>	<u>\$ 314,566</u>	<u>\$ 3,182,165</u>	<u>\$ 3,106,597</u>	<u>\$ 2,897,528</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 5,033	\$ -0-	\$ -0-	\$ 5,033	\$ 2,280	\$ 3,817
Accrued expenses	7,462			7,462	27,185	23,707
Accrued payroll	57,691			57,691	56,049	51,869
Accrued compensated absences	92,607			92,607	109,736	119,112
Escrow liability	150,712			150,712	99,164	45,432
	313,505	-0-	-0-	313,505	294,414	243,937
NET ASSETS	<u>2,072,783</u>	<u>481,311</u>	<u>314,566</u>	<u>2,868,660</u>	<u>2,812,183</u>	<u>2,653,591</u>
	<u>\$ 2,386,288</u>	<u>\$ 481,311</u>	<u>\$ 314,566</u>	<u>\$ 3,182,165</u>	<u>\$ 3,106,597</u>	<u>\$ 2,897,528</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES
 CHARLOTTE FAMILY HOUSING, INC.

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Comparative Totals	
					2013	2012
SUPPORT, REVENUES, AND OTHER						
Contributions (individual, faith, and other)	\$ 219,951	\$ 433,432	\$ -0-	\$ 653,383	\$ 711,569	\$ 853,241
Merger contributions				-0-	-0-	86,500
Elizabeth House – New Shelter Funds				-0-	235,000	300,000
Shelter(s) Renovation Fund				-0-	-0-	50,000
In-kind contributions	72,497			72,497	168,290	126,500
Corporate and foundation contributions	<u>678,896</u>			<u>678,896</u>	<u>706,608</u>	<u>592,526</u>
	971,344	433,432	-0-	1,404,776	1,821,467	2,008,767
United Way	305,533			305,533	284,835	281,099
JumpStart vehicle sales	22,600			22,600	14,900	-0-
Government grants:						
HOME funds	254,148			254,148	199,999	171,028
HPRP funds				-0-	-0-	133,588
Charlotte Housing Authority	225,948			225,948	180,952	55,927
Mecklenburg County	130,000			130,000	130,000	130,000
ESG revenue	189,821			189,821	123,304	84,416
EFSP	20,575			20,575	21,325	18,000
Other	<u>49,400</u>			<u>49,400</u>	<u>-0-</u>	<u>114</u>
	869,892	-0-	-0-	869,892	655,580	593,073
Fundraising event	85,549			85,549	63,757	49,822
(Less) direct benefit costs	<u>(5,544)</u>			<u>(5,544)</u>	<u>(16,745)</u>	<u>(5,589)</u>
	80,005	-0-	-0-	80,005	47,012	44,233
Investment income	58,102			58,102	30,729	25,698
Realized and unrealized gains on investments	55,928			55,928	28,422	49,658
Other income				-0-	12,106	11,083
Net assets released from restrictions						
Satisfaction of time restrictions	302,524	(302,524)		-0-	-0-	-0-
Satisfaction of purpose restrictions	<u>27,959</u>	<u>(27,959)</u>		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>330,483</u>	<u>(330,483)</u>	-0-	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT, REVENUES, AND OTHER	2,693,887	102,949	-0-	2,796,836	2,895,051	3,013,611

See notes to financial statements.

STATEMENT OF ACTIVITIES - CONTINUED

CHARLOTTE FAMILY HOUSING, INC.

Year Ended June 30, 2014

	Unrestricted	Restricted	Permanently Restricted	Totals 2014	Comparative Totals	
					2013	2012
Amount brought forward	\$ 2,693,887	\$ 102,949	\$ -0-	\$ 2,796,836	\$ 2,895,051	\$ 3,013,611
EXPENSES						
Program services	2,340,541			2,340,541	2,334,196	2,110,466
Management and general	208,578			208,578	163,083	208,593
Fundraising	<u>191,240</u>			<u>191,240</u>	<u>249,331</u>	<u>163,145</u>
TOTAL EXPENSES	<u>2,740,359</u>	<u>-0-</u>	<u>-0-</u>	<u>2,740,359</u>	<u>2,746,610</u>	<u>2,482,204</u>
CHANGE IN NET ASSETS BEFORE OTHER	(46,472)	102,949	-0-	56,477	148,441	531,407
OTHER						
Gain (loss) on disposal of equipment				-0-	16,820	(589)
Merger costs				<u>-0-</u>	<u>(6,669)</u>	<u>(136,165)</u>
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,151</u>	<u>(136,754)</u>
CHANGE IN NET ASSETS	(46,472)	102,949	-0-	56,477	158,592	394,653
NET ASSETS						
Beginning of year	2,122,013	378,362	311,808	2,812,183	2,653,591	2,258,938
Transfers	<u>(2,758)</u>	<u>-0-</u>	<u>2,758</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>2,119,255</u>	<u>378,362</u>	<u>314,566</u>	<u>2,812,183</u>	<u>2,653,591</u>	<u>2,258,938</u>
END OF YEAR	<u>\$ 2,072,783</u>	<u>\$ 481,311</u>	<u>\$ 314,566</u>	<u>\$ 2,868,660</u>	<u>\$ 2,812,183</u>	<u>\$ 2,653,591</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
 CHARLOTTE FAMILY HOUSING, INC.

Year Ended June 30, 2014

	Totals 2014	Comparative Totals	
		2013	2012
OPERATING ACTIVITIES			
Change in net assets	\$ 56,477	\$ 158,592	\$ 394,653
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	78,275	70,138	45,214
Amortization	1,842	1,842	1,842
(Gain) loss on disposal of property and equipment	-0-	(16,820)	589
Realized (gains) losses on investments	(153)	272	(10)
Unrealized (gains) on investments	(55,775)	(28,694)	(49,648)
Decrease (increase) in accounts receivable	138,106	(151,801)	136,305
(Increase) decrease in prepaid expenses	(6,392)	20,220	2,295
(Increase) decrease in security deposits	(430)	250	(9,820)
(Increase) in JumpStart vehicles	(12,038)	(5,856)	-0-
Increase (decrease) in accounts payable	2,753	(1,537)	4,266
(Decrease) increase in accrued expenses	(19,723)	3,478	-0-
Increase in accrued payroll	1,642	4,180	16,380
(Decrease) increase in accrued compensated absences	<u>(17,129)</u>	<u>(9,376)</u>	<u>97,627</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	167,455	44,888	639,693
INVESTING ACTIVITIES			
Proceeds from sale of investments	11,404	9,907	8,985
(Purchases) of investments	(105,827)	(68,206)	(61,729)
Proceeds from sale of property and equipment	-0-	18,000	-0-
(Purchases) of property and equipment	<u>(11,413)</u>	<u>(336,613)</u>	<u>(418,850)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(105,836)</u>	<u>(376,912)</u>	<u>(471,594)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	61,619	(332,024)	168,099
Cash and equivalents at beginning of year	<u>394,115</u>	<u>726,139</u>	<u>558,040</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 455,734</u>	<u>\$ 394,115</u>	<u>\$ 726,139</u>
Cash summary:			
Unrestricted	\$ 337,350	\$ 368,516	\$ 577,033
Temporarily restricted	117,350	23,409	147,190
Permanently restricted	<u>1,034</u>	<u>2,190</u>	<u>1,916</u>
	<u>\$ 455,734</u>	<u>\$ 394,115</u>	<u>\$ 726,139</u>

No interest or income taxes have been paid for the years above.

NOTES TO FINANCIAL STATEMENTS

CHARLOTTE FAMILY HOUSING, INC.

June 30, 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

- Charlotte Family Housing, Inc. works to solve family homelessness by doing three things:

Housing families: We address the immediate need of homelessness by sheltering homeless families and help them forge a path back to housing, along with providing short-term rental assistance in apartments all around the community.

Building partnerships: We partner with families in the areas of financial self-reliance, careers, education, support networks, and health and wellness, and volunteers form intentional relationships of encouragement and support.

Empowering change: We offer matched savings accounts, microloans for qualified emergencies and below market rate auto loans, and a holiday store where families budget for and purchase gifts for a portion of the price, in order to preserve dignity and self-esteem, increase personal accountability, and decreased dependency.

- **CFH Shelter Phase:** The Organization offers three shelter sites: Plaza Place, Hawthorne Place, and Elizabeth House. In the shelter phase, a social worker and housing resource coordinator work closely with families over a period of 90 days to remove barriers to obtaining housing.

Plaza Place is a fifteen-bedroom facility located on The Plaza and provides short-term transitional shelter for homeless families while providing comprehensive support. Families have their own bedroom and most have their own bathroom (smaller families may share a bathroom). A large living room is shared for group meetings and for family time in the evenings. Each family has access to a small refrigerator and cabinets to store their own food and is responsible for cooking their own meals.

Hawthorne Place is a six-bedroom facility located inside St. John's Baptist Church and provides a short-term transitional shelter for homeless families while providing comprehensive support. All families have their own bedroom and may share a bathroom with another family "Jack and Jill" style. Meals are shared "family style" two nights a week and for Sunday lunch. Families have access to their own refrigerator/cabinets to prepare their own meals the other nights of the week. Staffing is provided by a combination of paid employees and volunteers. During the day, families can go to a daycenter at **Plaza Place** where children are picked up and dropped off for school. Daycenter amenities include showers, laundry facilities, lockers, computers, telephone, cable, and an address for mail purposes.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Elizabeth House is a four-bedroom facility located on Hawthorne Lane and provides short-term transitional shelter for homeless families while providing comprehensive support. All families have their own bedroom and may share a bathroom with another family. Meals are shared “family style” two nights a week and for Sunday lunch. Families have access to their own refrigerator/cabinets to prepare their own meals the other nights of the week. Staffing is provided by a combination of paid employees and volunteers. During the day, families can go to a daycenter at **Plaza Place** where children are picked up and dropped off for school. Daycenter amenities include showers, laundry facilities, lockers, computers, telephone, cable, and an address for mail purposes.

- **CFH Housing Phase:** The Organization offers subsidized housing to approximately 120 homeless families living at the three Organization shelters or others in the community. Housing is provided via vacant apartments all around the community. The size of the apartment and the rent range are determined by Organization staff, while the participant has input into the location of the apartment (as availability allows). These factors are dependent on family size and the amount of income of each participant. Rent is calculated using a consistent formula for all participants. One year of social work services is provided to each family with the potential for renewal if the family continues to meet eligibility requirements. All families in the CFH housing phase receive the support of a clinical family social worker to help eliminate their barriers to maintaining housing, especially relating to areas of financial knowledge, children’s education, and health and wellness (including mental health and addiction support). Families will also be offered a Hope Team, a group of 4-6 volunteers that provides support and encouragement.

Financial Statement Presentation: The financial statements of the Organization are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation conforms to the requirements of the Financial Accounting Standards Board Accounting Standards Codification (“FASB Codification”). Under the FASB Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- (a) **Unrestricted Net Assets** are from unrestricted contributions and income and are available for use as designated by the Board of Directors, including current operations.
- (b) **Temporarily Restricted Net Assets** are from contributions with donor-imposed stipulations that are satisfied by actions of the Organization or passage of time.
- (c) **Permanently Restricted Net Assets** are from contributions which are limited by donor-imposed stipulations that neither expire by passage of time nor can be satisfied or removed by actions of the Organization.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recognition of Support, Revenues, and Capital Additions: In accordance with FASB Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions recognized and utilized in the same accounting period are classified as unrestricted. Conditional contributions received are recognized as support when the conditions on which they depend have substantially been met.

Grants and Purchased Services: Grants are recognized as support when promised, while contracts for purchased services and cost reimbursement arrangements are recognized as a receivable and support when the services have been performed or the reimbursable costs have been incurred.

Promises Receivable: Unconditional promises receivable are recognized as support in the period received and assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises receivable are recognized when the conditions on which they depend are substantially met. Contributions receivable deemed to be uncollectible are reserved and/or written off, as appropriate.

Contributions receivable arising from unconditional promises that are expected to be collected within one year of the financial statements date are measured at fair value. The fair value of contributions arising from unconditional promises that are expected to be collected one year or more after the financial statement date, is determined based on the present value, (the time value of money represented by a risk-free-rate of interest) of the estimated future cash flows, using a risk-free rate of return.

Investments: Investments are held at, and managed by, the Foundation For The Carolinas, Inc., a community foundation, and are invested in equity and debt securities and are reported at fair value in the statement of financial position. In accordance with the FASB Codification, these assets and the related investment income are included in the accompanying financial statements. Realized and unrealized gains and losses are recognized in the statement of activities consistent with the purpose of the investment and donor-imposed restrictions. The Organization can request distributions of investment income and principal from these funds; however, the Foundation For The Carolinas, Inc. has discretion as to the timing and amounts of distributions from these funds. Foundation For The Carolinas holds no variance powers over the Organization's investments. All investments are owned by the Organization and, upon request, are returnable to the Organization.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Endowment Fund: The Organization has established an endowment fund at the Foundation For The Carolinas, Inc. In accordance with the FASB Codification, these funds and the related investment income are included in the accompanying financial statements. Realized and unrealized gains and losses are recognized in the statement of activities consistent with the purpose of the investment and donor-imposed restrictions. The Organization can request distributions of investment income from this fund; however, the Foundation For The Carolinas, Inc. has discretion as to the timing and amounts of distributions from the endowment fund, but the Organization is the sole beneficiary of the fund. Presently, endowment funds are not significant and the Organization continues to develop its funding and investment policies.

Property and Equipment: Additions are recorded at cost, if purchased, and estimated fair value at the time of donation, if received as a gift. Minor renewals and replacements are expensed. When furniture and equipment are retired, their costs and related allowances for depreciation are removed from the accounts. Any gain or loss is recognized in the statement of activities at that time.

Depreciation is computed by the straight-line method over the estimated economic lives for the respective assets held as follows:

Buildings and improvements	10-31 years
Furniture and equipment	5-10 years
Transportation equipment	5 years
Leasehold improvements	7 years

Contributions of long-lived assets, or of cash or other assets that must be used to acquire long-lived assets, are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as determined by the Organization's depreciation policy.

Donated Materials and Services: Donated materials and equipment, when significant, are reflected as contributions in the financial statements at estimated fair value at date of receipt. Donated services, when significant and measurable as to value, are reflected as contributions in the financial statements when provided.

Volunteers, including officers and directors of the Organization, donate their time to program and to administrative services and fundraising. However, no amounts have been reflected in the financial statements for these services as they do not meet the criteria for recognition as services under FASB codification.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functionalization of Expenses: Expenses not associated with a specific functional classification are allocated among the various classifications based upon the estimated time spent and the direct salaries and wages of the Organization's staff incurred in each classification (program, management and general, and fund raising).

Use of Estimates in Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and other items, and expenses during the reporting period. Actual results could differ from those estimates.

License to Solicit: The Organization has a license, which must be renewed annually, to solicit charitable contributions in North Carolina from the North Carolina Department of the Secretary of State.

Cash Equivalents: Funds invested on a daily basis in highly liquid instruments having immediate availability are considered cash equivalents for purposes of the statement of cash flows, which is presented on the indirect method.

Fair Value Measurements: Generally accepted accounting principles ("GAAP") defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value, as defined under GAAP, is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: **Level 1**, defined as observable inputs such as quoted prices in active markets; **Level 2**, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and **Level 3**, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Fundraising Costs: Fundraising costs are expensed as incurred.

Comparative Financial Information: The financial statements include certain prior-year summarized information in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the years ended June 30, 2013, and 2012, from which the summarized information was derived.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B - INCOME TAXES

The Organization and the merged entities are/were not-for-profit corporations and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and have not been classified as private foundations. Accordingly, no provision for income taxes is required in the financial statements.

The Organization’s tax returns (including those of the merged entities) are not under examination by the Internal Revenue Service or the North Carolina Department of Revenue. The income tax returns open to potential examination are 2014, 2013 and 2012. All other years have been closed by statute.

NOTE C - RISKS AND UNCERTAINTIES

The Organization places its cash with a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization maintains cash balances in excess of the \$250,000 insured limit at this institution. Management does not consider there to be any material credit risk related to this concentration.

The Organization receives a substantial portion of its operating funds from federal, state, and local agencies which are subject to audit from the respective funding agencies, the U.S. General Accounting Office, or the NC Office of State Auditor. Curtailment or cancellation of these contracts would have a significant effect on the future operations of the Organization. Upon examination, expenditures could be disallowed and refunds required. The Organization is not aware of any such audits, disallowances or refunds.

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

The Organization has a bargain use lease agreement for Hawthorne Place. Cancellation of this lease could have a significant effect on the future operations of the Organization.

NOTE D - INVESTMENTS

The Foundation For The Carolinas, Inc. manages the Organization’s investment and endowment funds. The CFH Endowment Fund is invested in the Moderate Growth Pool. The CFH Fund is invested in the Conservative Growth & Income Fund. Income (loss) and fees paid for the year ended June 30, 2014 are as follows:

	CFH Endowment Fund	CFH Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Beginning balance	\$ 12,659	\$ 961,507	\$ 974,166
Contributions		47,988	47,988
Interest and dividends	160	32,163	32,323
Net realized and unrealized			
gains on investments	2,060	53,869	55,929
Capital gain distributions received	25	25,491	25,516
Management fees	<u>(151)</u>	<u>(11,253)</u>	<u>(11,404)</u>
Ending balance	<u>\$ 14,753</u>	<u>\$ 1,109,765</u>	<u>\$ 1,124,518</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E – RESTRICTED NET ASSETS

Program	Year Ended June 30, 2014			End of Year
	Beginning of Year	(Utilized)	Additions	
Temporarily Restricted:				
Time restricted:				
United Way allocation	\$ 300,682	\$ (300,682)	\$ 300,682	\$ 300,682
Leon Levine Foundation			100,000	100,000
Bargain use of land	<u>49,721</u>	<u>(1,842)</u>		<u>47,879</u>
	350,403	(302,524)	\$ 400,682	448,561
Purpose restricted:				
Subsidies	5,646	(5,646)		-0-
Children's programs	5,000	(5,000)		-0-
JumpStart contributions	12,763	(12,763)	17,350	17,350
JumpStart inventory	<u>4,550</u>	<u>(4,550)</u>	<u>15,400</u>	<u>15,400</u>
	<u>27,959</u>	<u>(27,959)</u>	<u>32,750</u>	<u>32,750</u>
	<u>\$ 378,362</u>	<u>\$ (330,483)</u>	<u>\$ 433,432</u>	<u>\$ 481,311</u>
Permanently Restricted:				
Purpose restricted:				
Elizabeth House	\$ 300,000	\$ -0-	\$ -0-	\$ 300,000
Endowment	6,308		2,758	9,066
Employee Assistance Fund	<u>5,500</u>			<u>5,500</u>
	<u>\$ 311,808</u>	<u>\$ -0-</u>	<u>\$ 2,758</u>	<u>\$ 314,566</u>

NOTE F – COMPLIANCE SUPPLEMENT

The Organization is the recipient of certain government grant funds which are required to be audited in accordance with *Government Auditing Standards* issued by the Comptroller of the United States of America. A separate compliance supplement report is issued for these government grant funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE G – FAIR VALUE OF FINANCIAL MEASUREMENTS

Under U.S. GAAP, the Organization must disclose an estimate of the fair value of its material financial instruments (assets and liabilities).

Financial assets are cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (1) to receive cash or another financial instrument from a second entity or (2) to exchange other financial instruments on potentially favorable terms with the second entity.

Financial liabilities are contracts that impose on one entity an obligation (1) to deliver cash or another financial instrument to a second entity or (2) to exchange other financial instruments on potentially unfavorable terms with the second entity.

FINANCIAL ASSETS AND LIABILITIES

Recurring Basis:

Description	June 30, 2014	Fair Value Measurements Using			Total Gains/ (Losses)
		Level 1	Level 2	Level 3	
Investments	<u>\$ 1,124,518</u>	<u>\$ 1,124,518</u>			-0-

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, 2 or 3 during the year ended June 30, 2014.

There were no changes during the year ended June 30, 2014 to the Organization’s valuation techniques used to measure asset and liability fair values on a recurring basis.

Nonrecurring Basis:

The Organization does not have any financial assets or liabilities measured at fair value on a nonrecurring basis for the year ended June 30, 2014.

NON-FINANCIAL ASSETS AND LIABILITIES

The Organization does not have any non-financial assets or liabilities measured on a recurring or nonrecurring basis for the year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H – CONTRIBUTED FACILITIES, SERVICES, AND GOODS

Contribution	Use	Recognized		
		Revenue	Expense	Capital
Hawthorne Place rent	Program/support	\$ 18,000	\$ -0-	\$ -0-
	Rent expense		18,000	
Donated condo rent	Program/support	17,430		
	Rent expense		17,430	
JumpStart vehicles	Program/support	21,500		
	Other assets			21,500
Food for shelter residents	Program/support	11,858		
	Food expense		11,858	
Special event contributions	Program/support	3,709		
	Special event expense		2,807	
	Family support		902	
		<u>\$ 72,497</u>	<u>\$ 50,997</u>	<u>\$ 21,500</u>

NOTE I – LEASE COMMITMENTS

The Organization leases its administrative offices under a 5-year agreement which commenced on August 1, 2011, and is in effect until July 31, 2016. The Organization also leases space for Hawthorne Place under a 3-year agreement which commenced on August 1, 2011, and was in effect until July 31, 2014. This agreement was renewed and commenced on August 1, 2014, and is in effect until July 31, 2017. Future minimum annual lease payments for these noncancellable operating leases are as follows:

Year Ending June 30,	Administrative Offices	Hawthorne Place	Total
2015	\$ 34,327	\$ 1	\$ 34,328
2016	35,013	1	35,014
2017	<u>2,923</u>	<u>1</u>	<u>2,924</u>
	<u>\$ 72,263</u>	<u>\$ 3</u>	<u>\$ 72,266</u>

Total rent expense, including in-kind, was \$51,656 for the year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE J – GRANTS AND PROMISES RECEIVABLE

Receivable in less than one year:	
United Way allocations and designations	\$ 300,682
Grants	125,500
City/State funds	10,833
State ESG	65,052
Goodwill	10,836
Other	<u>16,760</u>
	529,663
 (Less) allowance for possible uncollectible amounts	 <u>(-0-)</u>
	 <u>\$ 529,663</u>

There were no charges for or write-offs to the reserve for possible uncollectible amounts.

NOTE K - GROUND LEASE ARRANGEMENT

The Organization has a lease agreement with the City of Charlotte for the land on which its Plaza Place building is constructed (See Note L). The agreement is accounted for as an operating lease because it does not meet the criteria for recognition as a capital lease under FASB Codification 840 *Leases*. The lease term began January 1, 1990, and expires December 31, 2039. All future minimum lease payments of \$1 per year were paid at inception.

NOTE L - BARGAIN USE OF LAND

In 1991, the Organization completed its Plaza Place building which is built on land leased from the City of Charlotte (See Note K). The lease agreement provides for rent at \$1 per year (which represented a discount from fair market value at inception) for a period of 50 years, expiring on December 31, 2039. The bargain portion of this lease arrangement has been accounted for in accordance with FASB Codification 835 *Interest*, as follows:

Estimated fair value of the bargain use of land, net of present-value discount, using the long-term U.S. Treasury rate at inception of the lease (5.01%), for a period of 50 years, capped so as not to exceed the fair market value of land leased.	\$ 92,077
 (Less) accumulated straight-line amortization at \$1,842 per year, beginning January 1, 1991	 <u>(44,198)</u>
	 <u>\$ 47,879</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE M - RETIREMENT PLAN

The Organization has a 403(b) annuity plan for the benefit of its employees. The Plan permits eligible employees to make contributions to the Plan on a pre-tax basis and investments are directed by the participants. The Organization makes no contributions to the Plan.

NOTE N – RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation. These minor reclassifications have no effect on the Organization's previously reported net assets or changes in net assets.

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE P – SCHEDULE OF FUNCTIONAL EXPENSES

	Program	Supporting Services			Totals 2014	Comparative Totals	
		Management And General	Fundraising	Totals		2013	2012
Personnel	\$ 1,424,485	\$ 106,156	\$ 151,512	\$ 257,668	\$ 1,682,153	\$ 1,609,430	\$ 1,665,446
Benefits to individuals:							
Family subsidies	560,244			-0-	560,244	514,737	381,421
Family support	11,117			-0-	11,117	14,651	19,336
Other	<u>91,741</u>	<u>5,086</u>	<u>7,628</u>	<u>12,714</u>	<u>104,455</u>	<u>137,848</u>	<u>123,008</u>
	663,102	5,086	7,628	12,714	675,816	667,236	523,765
Building	82,575	9,455		9,455	92,030	116,635	60,569
Professional services	58,369	41,720	4,371	46,091	104,460	102,146	85,663
Office	36,077	22,778	3,580	26,358	62,435	73,363	66,365
Public relations and development	2,000		18,004	18,004	20,004	49,120	7,306
Special event			6,081	6,081	6,081	28,210	13,358
Miscellaneous	5,834	16,974		16,974	22,808	45,235	18,265
Depreciation	<u>68,099</u>	<u>6,409</u>	<u>5,608</u>	<u>12,017</u>	<u>80,116</u>	<u>71,980</u>	<u>47,056</u>
	2,340,541	208,578	196,784	405,362	2,745,903	2,763,355	2,487,793
(Less) direct benefits costs to participants			<u>(5,544)</u>	<u>(5,544)</u>	<u>(5,544)</u>	<u>(16,745)</u>	<u>(5,589)</u>
	<u>\$ 2,340,541</u>	<u>\$ 208,578</u>	<u>\$ 191,240</u>	<u>\$ 399,818</u>	<u>\$ 2,740,359</u>	<u>\$ 2,746,610</u>	<u>\$ 2,482,204</u>
	<u>85.41%</u>	<u>7.61%</u>	<u>6.98%</u>	<u>14.59%</u>	<u>100.00%</u>		
<u>Comparative Totals</u>							
2013	<u>\$ 2,334,196</u>	<u>\$ 163,083</u>	<u>\$ 249,331</u>	<u>\$ 412,414</u>	<u>\$ 2,746,610</u>		
	<u>84.98%</u>	<u>5.94%</u>	<u>9.08%</u>	<u>15.02%</u>	<u>100.00%</u>		
2012	<u>\$ 2,110,466</u>	<u>\$ 208,593</u>	<u>\$ 163,145</u>	<u>\$ 371,738</u>	<u>\$ 2,482,204</u>		
	<u>85.02%</u>	<u>8.40%</u>	<u>6.58%</u>	<u>14.98%</u>	<u>100.00%</u>		

Expenses not associated with a specific functional classification are allocated among the various classifications based upon the estimated usage in each classification (program, management and general, and fundraising). \$1,985,902 in expenses were allocated to Program (83.18%), Management and General (7.22%) and Fundraising (9.60%).