CHARLOTTE FAMILY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Charlotte Family Housing, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Family Housing, Inc. and Subsidiary as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 12, the Organization determined that there was an understatement of unrestricted and temporarily restricted net assets and an overstatement of permanently restricted net assets at June 30, 2015. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
December 15, 2016

CHARLOTTE FAMILY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 342,132	$ 213,936	$ 4,750	$ 560,818
Cash and Cash Equivalents - Client Escrow	148,891	-	-	148,891
Prepaid Expenses	32,474	-	-	32,474
Accounts, Grants, and Other Receivables	52,328	563,062	750	616,140
Bargain Use of Property, Net of Amortization	-	18,355	-	18,355
Bargain Use of Land, Net of Amortization	-	1,842	-	1,842
Total Current Assets	575,825	797,195	5,500	1,378,520
PROPERTY AND EQUIPMENT				
Land, Buildings and Improvements	1,141,389	-	-	1,141,389
Furniture and Equipment	366,560	-	-	366,560
Transportation Equipment	47,891	-	-	47,891
Leasehold Improvements	166,995	-	-	166,995
	1,722,835	-	-	1,722,835
(Less) Accumulated Depreciation	(789,442)	-	-	(789,442)
Property and Equipment, Net	933,393	-	-	933,393
LONG-TERM ASSETS				
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	855,689	7,849	6,308	869,846
Accounts, Grants, and Other Receivables, Net of Current Portion	-	4,500	-	4,500
Bargain Use of Property, Net of Amortization and Current Portion	-	1,530	-	1,530
Bargain Use of Land, Net of Amortization and Current Portion	-	42,343	-	42,343
Security Deposits	10,000	-	-	10,000
Total Long-Term Assets	865,689	56,222	6,308	928,219
Total Assets	$ 2,374,907	$ 853,417	$ 11,808	$ 3,240,132
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 15,091	$ -	$ -	$ 15,091
Accrued Payroll and Vacation	100,301	-	-	100,301
Client Escrow Liability	148,891	-	-	148,891
Note Payable	15,532	-	-	15,532
Total Current Liabilities	279,815	-	-	279,815
LONG-TERM LIABILITIES				
Note Payable, Net of Current Portion	20,710	-	-	20,710
Total Long-Term Liabilities	20,710	-	-	20,710
Total Liabilities	300,525	-	-	300,525
Net Assets	2,074,382	853,417	11,808	2,939,607
Liabilities and Net Assets	$ 2,374,907	$ 853,417	$ 11,808	$ 3,240,132

See accompanying Notes to Consolidated Financial Statements.

CHARLOTTE FAMILY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT, REVENUES, AND OTHER				
Contributions	$ 1,674,138	$ 392,340	$ -	$ 2,066,478
United Way	18,589	283,658	-	302,247
In-kind Contributions	141,361	-	-	141,361
Government Grants and Contracts	993,762	-	-	993,762
Special Events (Net of Direct Costs of $25,948)	106,675	6,000	-	112,675
Investment Income (Loss), Net	(22,083)	(744)	-	(22,827)
Other Income	33,490	-	-	33,490
	2,945,932	681,254	-	3,627,186
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of Purpose Restrictions	99,500	(99,500)	-	-
Satisfaction of Time Restrictions	354,878	(354,878)	-	-
	454,378	(454,378)	-	-
Total Support, Revenues and Other	3,400,310	226,876	-	3,627,186
EXPENSES				
Program Services	3,117,777	-	-	3,117,777
Management and General	177,999	-	-	177,999
Fundraising	347,481	-	-	347,481
Total Expenses	3,643,257	-	-	3,643,257
CHANGE IN NET ASSETS	(242,947)	226,876	-	(16,071)
Net Assets at Beginning of Year, as Originally Reported	1,887,530	490,208	315,708	2,693,446
Prior Period Adjustments	429,799	136,333	(303,900)	262,232
Beginning Net Assets, as Restated	2,317,329	626,541	11,808	2,955,678
NET ASSETS - END OF YEAR	$ 2,074,382	$ 853,417	$ 11,808	$ 2,939,607

See accompanying Notes to Consolidated Financial Statements.

CHARLOTTE FAMILY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program	Management and General	Fundraising	Total
Salaries	$ 1,183,075	$ 91,990	$ 210,014	$ 1,485,079
Taxes and Benefits	271,212	34,935	56,517	362,664
Family Subsidies	946,245	-	-	946,245
Family Support	105,460	1,103	2,348	108,911
Other Program Expenses	98,831	50	969	99,850
Board Expenses	198	11	89	298
Building Expenses	183,829	8,873	12,057	204,759
Miscellaneous Expenses	2,903	152	386	3,441
Office Expenses	152,742	17,706	17,156	187,604
PR & Development Expenses	(836)	722	51,296	51,182
Professional Services	174,118	22,457	22,597	219,172
	3,117,777	177,999	373,429	3,669,205
Less - Special Events Cost Deducted from Revenue	-	-	(25,948)	(25,948)
	$ 3,117,777	$ 177,999	$ 347,481	$ 3,643,257

See accompanying Notes to Consolidated Financial Statements.

CHARLOTTE FAMILY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(16,071)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		86,634
Amortization		20,207
Realized and Unrealized Gain on Investments		14,043
(Increase) Decrease in Operating Assets:		
Prepaid Expenses		(24,313)
Accounts, Grants, and Other Receivables		191,969
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses		(5,466)
Client Escrow Liability		(20,227)
Accrued Payroll and Vacation		(25,495)
Net Cash Provided by Operating Activities		221,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Fees and Proceeds from the Sale of Investments		174,505
Purchases of Investments		(13,353)
Purchases of Property and Equipment		(144,359)
Net Cash Provided by Investing Activities		16,793
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable		(11,049)
Proceeds from Note Payable		47,291
Net Cash Provided by Financing Activities		36,242
NET INCREASE IN CASH AND CASH EQUIVALENTS		274,316
Cash and Cash Equivalents at Beginning of Year		435,393
CASH AND EQUIVALENTS AT END OF YEAR	$	709,709

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Charlotte Family Housing, Inc. and its wholly-owned subsidiary, JumpStart Charlotte, LLC (together, the “Organization”) are private not-for-profit enterprises which work 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.

NOTE 1 ORGANIZATION (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 324 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. Each client’s portion of the rent is calculated using a consistent formula, with the Organization subsidizing the remaining balance. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Charlotte Family Housing, Inc. and its wholly-owned subsidiary, JumpStart Charlotte, LLC, which was organized as a North Carolina Limited Liability Company on September 9, 2014. All significant inter-organizational transactions have been eliminated in consolidation.

Consolidated Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. The Organization has adopted a policy to record all temporarily restricted contributions as unrestricted if the funds were utilized in the current fiscal year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Organization. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions recognized and utilized in the same accounting period are classified as unrestricted.

Grants and Purchased Services

Grants are not recognized as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote. Purchased service and cost-reimbursement contracts are recognized as support and receivables when the service has been performed.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with maturity of three months or less to be cash equivalents. Regardless of maturity, certificates of deposit are considered cash equivalents. The Organization maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit; however, management believes they are not exposed to any significant cash credit risk.

Investments

The Organization has included in these consolidated financial statements the fair value of investments and related income earned on certain funds held in trust solely for the benefit of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment with a value of $500 or more is recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets held as follows:

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

Depreciation expense was approximately $87,000 for the year ended June 30, 2016.

Donated Materials and Services

Donated materials and equipment are reflected as contributions at estimated fair value at the time of receipt. Donated services, when significant and measurable as to value, are reflected as contributions when provided. During the year ended June 30, 2016, the Organization recorded approximately $23,800 of donated goods and services.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the consolidated financial statements for these contributions, as they do not meet the criteria for recognition described above.

Donated Facility Usage

During the year ended June 30, 2016, the Organization received donated use of facilities in the amount of approximately $72,600. This relates to condos that the owners allow Charlotte Family Housing to rent out to program participants, and is determined based on research of comparable market rent. Because there are numerous factors used in determining the rental rates each period, the Organization is unable to estimate the amount of below market rent for future periods. Accordingly, no receivable has been recorded in the accompanying consolidated statement of financial position for below market rent.

Donated Assets

The Organization received a donated home in the amount of $45,000 during the year ended June 30, 2016. This amount is reflected in Property and Equipment on the Organization’s Consolidated Statement of Financial Position.

Functional Allocation 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 fundraising).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") became effective in the state of North Carolina. The Organization follows the provisions of the financial accounting standard for endowments of not-for-profit organizations (the "UPMIFA Standard") with respect to the accounting for the corpus and income recognition on endowment funds. This standard did not have a material impact on the Organization's financial position or results of operations as of or for the years ended June 30, 2016.

Fair Value of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. The Organization does not have any non-financial assets or liabilities measured on a recurring or non-recurring basis as of June 30, 2016 or 2015.

Income Taxes

Charlotte Family Housing, Inc. is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. JumpStart Charlotte, LLC is a single-member Limited Liability Company which does not have separate tax reporting status. Additionally, management believes the Organization does not have income subject to unrelated business income tax. Accordingly, no provision for income taxes is required in the consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization's income tax returns are subject to review and examination by Federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Generally accepted accounting principles require the Organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Organization had no uncertain tax positions as of June 30, 2016.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2016, the date the consolidated financial statements were available to be issued.

NOTE 3 INVESTMENTS

Beneficial Interest in Assets Held in Trust by Third Party

The Foundation for the Carolinas (the "Foundation") holds in trust, accounts for the benefit of the Organization. The Organization may request annual distributions of accumulated income from these accounts. Recommendations for distribution of principal, as considered necessary by the Board of Directors of the Organization may be made to the Foundation. The Foundation has complete discretion as to the timing and amounts of distributions from these funds; however, the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity. This amount is reflected in the accompanying consolidated statement of financial position as investments (beneficial interest in assets held in trust by third-party) and as of June 30, 2016, was comprised of the following:

Moderate Growth Pool	$	732,378
Income and Growth Pool		137,468
	$	869,846

Investment earnings for the year ended June 30, 2016 was comprised of the following:

Interest, Realized and Unrealized Gain (Loss) on Investments	$	(13,217)
Fees		(9,610)
	$	(22,827)

The Organization provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statement of activities.

NOTE 4 ACCOUNTS, GRANTS, AND OTHER RECEIVABLES

Accounts, grants, and other receivables are shown at estimated realizable value. Management considers all receivables to be collectible; therefore, no allowance for doubtful accounts has been provided. Accounts, grants, and other receivables consisted of the following as of June 30, 2016:

United Way Allocations	$ 383,158
Pledges Receivable	184,404
Government Grants	31,485
JumpStart Loans	9,679
Client Microloans	3,733
Other	8,181
	$ 620,640

These receivables are expected to be collected as follows:

Due in Less than One Year	$ 616,140
Due in One to Five Years	4,500
	$ 620,640

Management calculated the discount on receivables and determined it to be immaterial to the consolidated financial statements. Accordingly, no discount has been recorded for the year ended June 30, 2016.

NOTE 5 BARGAIN USE OF LAND AND PROPERTY

In 1991, the Organization completed its Plaza Place building which is built on land leased from the City of Charlotte. 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, beginning January 1, 1990 and expiring on December 31, 2039. All future minimum lease payments of $1 per year were paid at inception. The bargain portion of this lease arrangement is made up of the following at June 30, 2016:

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.	(47,892)
	$ 44,185

NOTE 5 BARGAIN USE OF LAND AND PROPERTY (CONTINUED)

In 2014, the Organization entered a lease for the Hawthorne Place Shelter with a religious organization. The lease agreement provides for rent at $1 per year (which represented a discount from fair market value at inception) for a period of 3 years, beginning August 1, 2014 and expiring on July 31, 2017. The bargain portion of this lease arrangement is made up of the following at June 30, 2016:

Estimated fair value of the bargain use of property, for a period of 3 years	$	55,066
(Less) accumulated straight-line amortization at $18,355 per year, beginning August 1, 2014		(35,181)
	$	19,885

NOTE 6 NOTE PAYABLE

The note payable consisted of the following as of June 30, 2016:

Note Payable to a Service Organization, Non-Interest Bearing, Monthly Payments of $1,294 from October 1, 2015 through October 1, 2018.	$	36,242
Less: Current Maturities		(15,532)
	$	20,710

Future maturities of long-term debt are as follows:

June 30,		Amount
2017	$	15,532
2018		15,532
2019		5,178
	$	36,242

NOTE 7 RESTRICTED NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consisted of the following at June 30, 2016:

Purpose Restricted:		
JumpStart	$	21,703
Housing Subsidies		29,619
Plaza Place Shelter		50,000
Case Management		49,750
Direct Financial Assistance		49,750
Time Restricted:		
United Way Allocation		283,658
Bargain Use of Land		44,185
Bargain Use of Property		19,885
Pledges		93,750
A Way Home Housing Endowment Subsidies		203,268
Accumulated Income in Perpetual Endowment		7,849
	$	853,417

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by donors, or the passage of time during the year ended June 30, 2016, were as follows:

Purpose Restricted Accomplished		
Case Management	$	49,750
Direct Financial Assistance		49,750
		99,500
Time Restricted		
United Way Allocation		284,671
Pledges		50,000
Bargain Use of Land		1,852
Bargain Use of Property		18,355
		354,878
	$	454,378

Permanently Restricted

Permanently restricted net assets represent a beneficial interest in assets held in trust by a third-party in perpetuity and the employee assistance fund.

NOTE 8 LEASE COMMITMENTS

The Organization leases its office space under a five-year agreement which commenced on August 1, 2011, and is in effect until July 31, 2016. This agreement was renewed for an additional 3-year period through July 31, 2019. 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 for an additional 3-year period through July 31, 2017.

Total rent expense, including in-kind, was approximately $111,000 for the year ended June 30, 2016. Future minimum annual lease payments for these non-cancellable operating leases are as follows:

Year Ending June 30,		
2017	$	35,714
2018		36,426
2019		37,155
2020		3,101
	$	112,396

NOTE 9 RETIREMENT PLAN

The Organization has a 403(b) annuity plan (the 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’s contributions to the plan were approximately $10,000 for the year ended June 30, 2016.

NOTE 10 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities the Organization measured at fair value on a recurring basis as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in				
Assets Held by Trustee	$ -	$ -	$ 869,846	$ 869,846

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The beneficial interest in assets held by trustee is a broadly diversified portfolio of assets invested in fixed income funds, large cap equities, small cap equities, international equities as well as hedge funds. The fair value of the fixed income funds and equities is based on quoted market prices, while the value of the hedge funds has been estimated based on the underlying account balances subject to the fund manager's review. The value of the assets in the beneficial interest in assets held by trustee is allocated monthly on a pro-rata basis, based on the Organization's share of the total pooled assets.

The following table presents changes in investments measured at fair value using Level 3 inputs on a recurring basis for the years ended June 30, 2016:

	Total
Balance at June 30, 2015	$ 1,045,041
Contributions	13,355
Interest, Realized and Unrealized Losses on Investments	(14,043)
Fees	(9,612)
Transfers	(164,895)
Balance at June 30, 2016	$ 869,846

NOTE 11 RISKS AND UNCERTAINTIES

The Organization participates in a number of Federal and state grant programs, the expenditures for which are subject to audit from the respective funding agencies and/or the General Accounting Office. Upon examination, expenditures could be disallowed and refunds required. Management has not been notified that any such audits are forthcoming, and is not aware of any expenditures for which such disallowances and refunds would be required by funding agencies.

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 consolidated 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 operations of the Organization.

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the current year, management determined that unrestricted and temporarily restricted net assets were understated and permanently restricted net assets were overstated as of June 30, 2015. Management discovered errors in the prior year related to certain balance sheet accounts. The beginning net assets as of June 30, 2015 have been restated by $262,232 to reflect these adjustments, as shown in the table below:

	Balance as Originally Reported	Adjustment	Balance as Restated
Accounts, Grants, and Other Receivables	$ 652,544	$ 160,065	$ 812,609
Bargain Use of Property	-	38,240	38,240
Accrued Payroll and Vacation	190,521	(63,927)	126,594
Unrestricted Net Assets	1,887,530	429,799	2,317,329
Temporarily Restricted Net Assets	490,208	136,333	626,541
Permanently Restricted Net Assets	315,708	(303,900)	11,808

NOTE 13 FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization’s consolidated financial statements.