

CHARLOTTE FAMILY HOUSING, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



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**CHARLOTTE FAMILY HOUSING, INC.
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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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors
Charlotte Family Housing, Inc.

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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As described in Note 2, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Charlotte, North Carolina
September 26, 2019

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 957,336	\$ 376,249	\$ 1,333,585
Cash and Cash Equivalents - Client Escrow	88,640	-	88,640
Prepaid Expenses	10,175	-	10,175
Accounts, Grants, and Other Receivables, Net	123,778	492,371	616,149
Bargain Use of Property, Net of Amortization	-	1,593	1,593
Bargain Use of Land, Net of Amortization	-	1,842	1,842
Total Current Assets	1,179,929	872,055	2,051,984
PROPERTY AND EQUIPMENT			
Land, Buildings and Improvements	645,754	-	645,754
Furniture and Equipment	391,017	-	391,017
Transportation Equipment	2,400	-	2,400
Leasehold Improvements	166,995	-	166,995
	1,206,166	-	1,206,166
Less: Accumulated Depreciation	(890,711)	-	(890,711)
Property and Equipment, Net	315,455	-	315,455
LONG-TERM ASSETS			
Grant Receivable, Net of Current Portion	-	56,250	56,250
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	1,004,169	16,418	1,020,587
Bargain Use of Land, Net of Amortization and Current Portion	-	36,817	36,817
Security Deposits	10,000	-	10,000
Total Long-Term Assets	1,014,169	109,485	1,123,654
Total Assets	\$ 2,509,553	\$ 981,540	\$ 3,491,093
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 10,390	\$ -	\$ 10,390
Accrued Payroll and Vacation	114,085	-	114,085
Client Escrow Liability	89,219	-	89,219
Deferred Revenue	2,000	-	2,000
Capital Lease	10,899	-	10,899
Total Current Liabilities	226,593	-	226,593
LONG-TERM LIABILITIES			
Capital Lease, Net of Current Portion	16,064	-	16,064
Total Long-Term Liabilities	16,064	-	16,064
Total Liabilities	242,657	-	242,657
Net Assets	2,266,896	981,540	3,248,436
Liabilities and Net Assets	\$ 2,509,553	\$ 981,540	\$ 3,491,093

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 366,192	\$ 328,447	\$ 694,639
Cash and Cash Equivalents - Client Escrow	98,557	-	98,557
Prepaid Expenses	61,028	-	61,028
Accounts, Grants, and Other Receivables, Net	152,025	369,697	521,722
Bargain Use of Property, Net of Amortization	-	19,444	19,444
Bargain Use of Land, Net of Amortization	-	1,842	1,842
Total Current Assets	677,802	719,430	1,397,232
PROPERTY AND EQUIPMENT			
Land, Buildings and Improvements	1,197,184	-	1,197,184
Furniture and Equipment	422,453	-	422,453
Transportation Equipment	2,400	-	2,400
Leasehold Improvements	166,995	-	166,995
	1,789,032	-	1,789,032
Less: Accumulated Depreciation	(947,076)	-	(947,076)
Property and Equipment, Net	841,956	-	841,956
LONG-TERM ASSETS			
Grant Receivable, Net of Current Portion	-	114,500	114,500
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	1,045,941	16,375	1,062,316
Bargain Use of Property, Net of Amortization and Current Portion	-	1,593	1,593
Bargain Use of Land, Net of Amortization and Current Portion	-	38,659	38,659
Security Deposits	10,000	-	10,000
Total Long-Term Assets	1,055,941	171,127	1,227,068
Total Assets	\$ 2,575,699	\$ 890,557	\$ 3,466,256
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 14,523	\$ -	\$ 14,523
Accrued Payroll and Vacation	89,033	-	89,033
Client Escrow Liability	100,335	-	100,335
Note Payable	5,177	-	5,177
Capital Lease	10,528	-	10,528
Total Current Liabilities	219,596	-	219,596
LONG-TERM LIABILITIES			
Capital Lease, Net of Current Portion	26,964	-	26,964
Total Long-Term Liabilities	26,964	-	26,964
Total Liabilities	246,560	-	246,560
Net Assets	2,329,139	890,557	3,219,696
Liabilities and Net Assets	\$ 2,575,699	\$ 890,557	\$ 3,466,256

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT, REVENUES, AND OTHER			
Contributions	\$ 1,184,344	\$ 475,615	\$ 1,659,959
United Way	26,201	168,750	194,951
In-kind Contributions	125,924	-	125,924
Government Grants and Contracts	739,712	-	739,712
Special Events (Net of Direct Costs of \$24,131)	345,641	500	346,141
Investment Income, Net	33,228	43	33,271
Other Income	260,521	-	260,521
	2,715,571	644,908	3,360,479
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Purpose Restrictions	162,030	(162,030)	-
Satisfaction of Time Restrictions	391,895	(391,895)	-
	553,925	(553,925)	-
 Total Support, Revenues and Other	 3,269,496	 90,983	 3,360,479
EXPENSES			
Program Services	2,804,388	-	2,804,388
Management and General	252,926	-	252,926
Fundraising	274,425	-	274,425
Total Expenses	3,331,739	-	3,331,739
CHANGE IN NET ASSETS	(62,243)	90,983	28,740
Net Assets - Beginning of Year	2,329,139	890,557	3,219,696
NET ASSETS - END OF YEAR	\$ 2,266,896	\$ 981,540	\$ 3,248,436

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT, REVENUES, AND OTHER			
Contributions	\$ 1,002,425	\$ 654,826	\$ 1,657,251
United Way	375,781	150,000	525,781
In-kind Contributions	137,701	-	137,701
Government Grants and Contracts	693,460	-	693,460
Special Events (Net of Direct Costs of \$24,696)	161,080	1,500	162,580
Investment Income, Net	70,596	806	71,402
Other Income	26,829	21,037	47,866
	<u>2,467,872</u>	<u>828,169</u>	<u>3,296,041</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Purpose Restrictions	188,836	(188,836)	-
Satisfaction of Time Restrictions	541,479	(541,479)	-
	<u>730,315</u>	<u>(730,315)</u>	<u>-</u>
 Total Support, Revenues and Other	 3,198,187	 97,854	 3,296,041
EXPENSES			
Program Services	2,651,236	-	2,651,236
Management and General	131,539	-	131,539
Fundraising	368,862	-	368,862
Total Expenses	<u>3,151,637</u>	<u>-</u>	<u>3,151,637</u>
CHANGE IN NET ASSETS	46,550	97,854	144,404
Net Assets - Beginning of Year	<u>2,282,589</u>	<u>792,703</u>	<u>3,075,292</u>
NET ASSETS - END OF YEAR	<u>\$ 2,329,139</u>	<u>\$ 890,557</u>	<u>\$ 3,219,696</u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Salaries	\$ 1,050,503	\$ 203,302	\$ 152,176	\$ 1,405,981
Taxes and Benefits	235,380	27,133	35,287	297,800
Family Subsidies	758,938	-	-	758,938
Family Support	68,693	-	-	68,693
Other Program Expenses	113,453	1,003	1,776	116,232
Board Expenses	630	37	133	800
Building Expenses	301,450	7,778	15,556	324,784
Office Expenses	54,849	2,996	9,807	67,652
PR & Development Expenses	275	11	41,997	42,283
Professional Services	219,180	10,604	41,701	271,485
Miscellaneous Expenses	1,037	62	123	1,222
	<u>2,804,388</u>	<u>252,926</u>	<u>298,556</u>	<u>3,355,870</u>
Less: Special Events Cost Deducted from Revenue	-	-	(24,131)	(24,131)
	<u>\$ 2,804,388</u>	<u>\$ 252,926</u>	<u>\$ 274,425</u>	<u>\$ 3,331,739</u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program	Management and General	Fundraising	Total
Salaries	\$ 987,362	\$ 81,879	\$ 203,910	\$ 1,273,151
Taxes and Benefits	206,959	17,985	50,441	275,385
Family Subsidies	706,627	-	-	706,627
Family Support	82,350	-	-	82,350
Other Program Expenses	87,150	7,969	2,757	97,876
Board Expenses	-	640	-	640
Building Expenses	310,124	10,124	39,083	359,331
Office Expenses	47,826	4,382	10,563	62,771
PR & Development Expenses	491	-	31,871	32,362
Professional Services	220,371	8,507	54,728	283,606
Miscellaneous Expenses	1,976	53	205	2,234
	<u>2,651,236</u>	<u>131,539</u>	<u>393,558</u>	<u>3,176,333</u>
Less: Special Events Cost Deducted from Revenue	-	-	(24,696)	(24,696)
	<u>\$ 2,651,236</u>	<u>\$ 131,539</u>	<u>\$ 368,862</u>	<u>\$ 3,151,637</u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 28,740	\$ 144,404
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	100,240	100,721
Amortization	21,286	20,905
Gain on Disposal of Property and Equipment	(240,315)	-
Realized and Unrealized Gain on Investments, Net	(33,271)	(71,402)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	50,853	(40,524)
Accounts, Grants, and Other Receivables	(36,177)	(96,971)
Bargain Use of Land	-	(38,570)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(4,133)	(26,543)
Client Escrow Liability	(11,116)	14,978
Accrued Payroll and Vacation	25,052	(28,537)
Deferred Revenue	2,000	-
Net Cash Used in Operating Activities	(96,841)	(21,539)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	138,289	31,688
Purchases of Investments	(63,289)	(31,706)
Proceeds from the Sale of Property and Equipment	722,636	-
Purchases of Property and Equipment	(56,060)	(33,546)
Net Cash Provided by (Used in) Investing Activities	741,576	(33,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	(5,177)	(15,533)
Payments on Capital Lease Payable	(10,529)	(10,178)
Net Cash Used in Financing Activities	(15,706)	(25,711)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	629,029	(80,814)
Cash and Cash Equivalents - Beginning of Year	793,196	874,010
CASH AND EQUIVALENTS - END OF YEAR	\$ 1,422,225	\$ 793,196

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION

Charlotte Family Housing, Inc. (the "Organization") is a private not-for-profit enterprise which 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, financial assistance for qualified emergencies, 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 decrease dependency.

CFH Shelter Phase: The Organization offered three shelter sites during the year ended June 30, 2018: Plaza Place, Hawthorne Place, and Elizabeth House. During the year ending June 30, 2019, the Board voted to sell the Elizabeth House, which occurred June 28, 2019. As of June 30, 2019: the Organization has two shelter sites: Plaza Place and Hawthorne Place. 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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION (CONTINUED)

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

CFH Housing Phase: The Organization offers subsidized housing to approximately 204 homeless families living at the two 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

Basis of Presentation

The accompanying 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the 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 net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions recognized and utilized in the same accounting period are classified as net assets without donor restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote.

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 statements 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. Escrow cash are funds the Organization deposited on behalf of its program participants with a financial institution. The Organization acts as custodian for the agency accounts, which are legally owned by the participants.

Investments

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

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment with a value of \$5,000 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 \$100,000 and \$101,000 for the years ended June 30, 2019 and 2018, respectively.

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 years ended June 30, 2019 and 2018, the Organization recorded approximately \$48,900 and \$10,100 of donated goods and services, respectively.

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 financial statements for these contributions, as they do not meet the criteria for recognition described above.

Donated Facility Usage

During the years ended June 30, 2019 and 2018, the Organization received donated use of facilities in the amount of approximately \$77,000 and \$127,000, respectively. This relates to condos that the owners allow the Organization 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 statements of financial position for below market rent.

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).

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018.

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, 2019 and 2018.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 financial statements.

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.

GAAP requires 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, 2019 and 2018.

Deferred Revenue

The Organization records contributions and sponsorships received in advance of the related fundraising events which have not occurred yet as deferred revenue. This deferred revenue is recognized once the event occurs.

New Accounting Pronouncements – ASU 2016-14

During the year ended June 30, 2019, the Organization adopted provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), in addition to additional disclosures around liquidity and functional expenses. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets and has been applied retrospectively.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on previously reported change in net assets or total net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the financial statements were available to be issued.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 statements of financial position as investments (beneficial interest in assets held in trust by third-party) and as of June 30, 2019 and 2018, was comprised of the following:

	2019	2018
Active LT Growth Pool	\$ 847,809	\$ 897,853
Income and Growth Pool	172,778	164,463
	\$ 1,020,587	\$ 1,062,316

Investment earnings for the years ended June 30, 2019 and 2018 was comprised of the following:

	2019	2018
Interest, Realized and Unrealized Gain on Investments, Net	\$ 41,255	\$ 80,051
Fees	(7,984)	(8,649)
	\$ 33,271	\$ 71,402

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 statements of activities.

NOTE 4 ACCOUNTS, GRANTS, AND OTHER RECEIVABLES, NET

Accounts, grants, and other receivables are shown at estimated realizable value. Accounts, grants, and other receivables consisted of the following as of June 30, 2019 and 2018:

	2019	2018
United Way Allocations	\$ 291,875	\$ 373,500
Pledges and Contributions Receivable	260,500	117,456
Government Grants	75,822	100,341
JumpStart Loans	-	9,279
Other	44,202	51,775
	672,399	652,351
Less: Allowance for Doubtful Accounts	-	(16,129)
Net Receivables	\$ 672,399	\$ 636,222

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 ACCOUNTS, GRANTS, AND OTHER RECEIVABLES, NET (CONTINUED)

These receivables are expected to be collected as follows:

	2019	2018
Due in Less than One Year	\$ 616,149	\$ 521,722
Due in One to Five Years	56,250	114,500
	\$ 672,399	\$ 636,222

Management calculated the discount on receivables and determined it to be immaterial to the financial statements. Accordingly, no discount has been recorded for the years ended June 30, 2019 and 2018.

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, 2019 and 2018:

	2019	2018
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	\$ 92,077
Less: Accumulated straight-line amortization at \$1,842 per year, beginning January 1, 1991.	(53,418)	(51,576)
	\$ 38,659	\$ 40,501

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 three years, beginning August 1, 2014 and expired on July 31, 2017.

The Organization entered into a new lease agreement beginning September 1, 2017 and expiring July 31, 2019. The bargain portion of this lease arrangement is made up of the following at June 30, 2019 and 2018:

	2019	2018
Estimated fair value of the bargain use of property, for a period of 2 years	\$ 40,100	\$ 40,100
Less: Accumulated amortization beginning August 1, 2017	(38,507)	(19,063)
	\$ 1,593	\$ 21,037

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 NOTE PAYABLE

The Organization has a note payable of \$0 and \$5,177 as of June 30, 2019 and 2018, respectively.

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Organization leases office equipment under a capital lease obligation. The total cost of items under capital leases was approximately \$55,893 as of June 30, 2019 and 2018, respectively. Total accumulated amortization of items under capital leases was approximately \$28,930 and \$11,178 as of June 30, 2019 and 2018, respectively.

Future minimum lease payments under capital lease obligations subsequent to June 30, 2019 are as follows:

Year Ending June 30,	
2020	\$ 11,636
2021	11,636
2022	4,848
	<u>28,120</u>
Less: Amount Representing Interest	<u>(1,157)</u>
Capital Lease Obligation	<u>\$ 26,963</u>

**CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 NET ASSETS

Net Assets without Donor Restrictions

The Organization's governing board has designated \$750,000 of net assets without donor restrictions as a quasi-endowment at June 30, 2019 and 2018.

Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consisted of the following at June 30, 2019 and 2018:

DONOR RESTRICTIONS

	2019	2018
Purpose Restricted:		
Capital Improvements	\$ 53,940	\$ 50,520
Case Management	37,551	29,932
Clinical Social Worker	208,804	175,000
Direct Financial Assistance	53,696	35,228
Hope Team	10,000	-
Housing Resource Specialist	50,000	-
Housing Subsidies	7,679	-
Other	262	8,105
Transportation	28,067	24,253
	449,999	323,038
Time Restricted:		
Accumulated Income in Perpetual Endowment	10,109	10,066
Bargain Use of Land	38,656	40,501
Bargain Use of Property	1,593	21,037
Case Management	123,125	223,500
Fontier Foundation	-	15,000
Pledges	177,500	95,607
United Way Allocation	168,750	150,000
	519,733	555,711
Permanently Restricted:		
Employee Assistance Fund	5,500	5,500
Endowment	6,308	6,308
	11,808	11,808
	\$ 981,540	\$ 890,557

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 NET ASSETS (CONTINUED)

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 years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Purpose Restricted Accomplished		
Capital Improvements	\$ 50,520	\$ 27,146
Case Management	29,931	-
Clinical Social Worker	41,150	-
Direct Financial Assistance	32,584	2,300
Other	7,845	4,390
Shelter Operations	-	130,000
Transportation	-	25,000
	162,030	188,836
Time Restricted		
A Way Home Housing Endowment	-	142,471
Bargain Use of Land	1,845	1,842
Bargain Use of Property	19,444	1,530
Case Management	110,000	-
Frontier Foundation	15,000	-
Pledges	95,606	92,413
United Way Allocation	150,000	283,223
Wells Fargo	-	20,000
	391,895	541,479
	\$ 553,925	\$ 730,315

NOTE 9 OPERATING LEASE COMMITMENTS

The Organization leases its office space under a three-year agreement which commenced on August 1, 2016, and is in effect until July 31, 2019.

Total rent expense, including in-kind, was approximately \$112,900 and \$131,500 for the year ended June 30, 2019 and 2018, respectively. Future minimum annual lease payments for these non-cancellable operating leases are as follows:

Year Ending June 30,	
2020	\$ 3,101

The Organization currently leases its office space on a month-to-month basis.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 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 \$4,500 and \$4,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 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, 2019 and 2018:

		2019			
		Level 1	Level 2	Level 3	Total
Investments:					
	Beneficial Interest in				
	Assets Held by Trustee	\$ -	\$ -	\$ 1,020,587	\$ 1,020,587
		2018			
		Level 1	Level 2	Level 3	Total
Investments:					
	Beneficial Interest in				
	Assets Held by Trustee	\$ -	\$ -	\$ 1,062,316	\$ 1,062,316

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 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.

	CFH Endowment Fund	CFH Fund	Board Designated Fund	Total
Balance at June 30, 2017	\$ 15,569	\$ 155,092	\$ 820,235	\$ 990,896
Contributions	-	31,706	-	31,706
Interest, Realized and Unrealized Gains on Investments, net	1,306	10,646	68,099	80,051
Fees	(500)	(1,294)	(6,855)	(8,649)
Disbursements	-	(31,688)	-	(31,688)
Balance at June 30, 2018	<u>16,375</u>	<u>164,462</u>	<u>881,479</u>	<u>1,062,316</u>
Contributions	-	63,289	-	63,289
Interest, Realized and Unrealized Gains on Investments, net	543	9,650	31,062	41,255
Fees	(500)	(1,334)	(6,150)	(7,984)
Disbursements	-	(63,289)	(75,000)	(138,289)
Balance at June 30, 2019	<u>\$ 16,418</u>	<u>\$ 172,778</u>	<u>\$ 831,391</u>	<u>\$ 1,020,587</u>

NOTE 12 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 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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 13 LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid assets sufficient to cover 60 days of general expenditures. The Organization often receives contributions and grants restricted by donors and subject to expenditures for specific purposes or within a specific timeframe. Those contributions are not considered to be available to meet cash needs for general operations. The Organization programs include the management of “savings” dollars of the families in the program. This money is not considered to be available to meet the Organizations cash needs.

The following table reflects the Organization’s liquid financial assets as of June 30:

	2019	2018
Cash and Cash Equivalents	\$ 1,422,225	\$ 793,196
Contributions and Grants Receivable	672,399	636,222
Total	<u>2,094,624</u>	<u>1,429,418</u>
Less: Client Escrow	(88,640)	(98,557)
Less: Net Assets with Donor Restrictions Subject to Expenditure for Specific Purposes	(449,999)	(323,038)
Less: Permanently Restricted Endowment Funds	(11,808)	(11,808)
Total Assets Available to Meet Liquidity Needs	<u>\$ 1,544,177</u>	<u>\$ 996,015</u>

