

CHARLOTTE FAMILY HOUSING, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Charlotte, North Carolina
September 29, 2022

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,177,694	\$ 98,941	\$ 1,276,635
Cash and Cash Equivalents - Client Escrow	209,815	-	209,815
Prepaid Expenses	27,587	-	27,587
Accounts, Grants, and Other Receivables	240,016	193,250	433,266
Bargain Use of Land, Net of Amortization	-	1,842	1,842
Total Current Assets	1,655,112	294,033	1,949,145
PROPERTY AND EQUIPMENT			
Land, Buildings and Improvements	707,223	-	707,223
Furniture and Equipment	289,015	-	289,015
Leasehold Improvements	145,738	-	145,738
	1,141,976	-	1,141,976
Less: Accumulated Depreciation	(922,419)	-	(922,419)
Property and Equipment, Net	219,557	-	219,557
LONG-TERM ASSETS			
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	1,509,210	17,147	1,526,357
Bargain Use of Land, Net of Amortization and Current Portion	-	31,291	31,291
Security Deposits	10,000	-	10,000
Total Long-Term Assets	1,519,210	48,438	1,567,648
Total Assets	\$ 3,393,879	\$ 342,471	\$ 3,736,350
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 16,273	\$ -	\$ 16,273
Accrued Payroll and Vacation	127,810	-	127,810
Client Escrow Liability	209,815	-	209,815
Capital Lease	11,123	-	11,123
Total Current Liabilities	365,021	-	365,021
LONG-TERM LIABILITIES			
Capital Lease, Net of Current Portion	27,250	-	27,250
Total Long-Term Liabilities	27,250	-	27,250
Total Liabilities	392,271	-	392,271
Net Assets	3,001,608	342,471	3,344,079
Liabilities and Net Assets	\$ 3,393,879	\$ 342,471	\$ 3,736,350

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,311,225	\$ 178,140	\$ 1,489,365
Cash and Cash Equivalents - Client Escrow	268,237	-	268,237
Prepaid Expenses	48,408	-	48,408
Accounts, Grants, and Other Receivables	148,440	150,350	298,790
Bargain Use of Land, Net of Amortization	-	1,842	1,842
Total Current Assets	1,776,310	330,332	2,106,642
PROPERTY AND EQUIPMENT			
Land, Buildings and Improvements	759,223	-	759,223
Furniture and Equipment	246,248	-	246,248
Leasehold Improvements	166,995	-	166,995
	1,172,466	-	1,172,466
Less: Accumulated Depreciation	(878,185)	-	(878,185)
Property and Equipment, Net	294,281	-	294,281
LONG-TERM ASSETS			
Grants Receivable, Net of Current Portion	-	5,000	5,000
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	1,753,851	20,370	1,774,221
Bargain Use of Land, Net of Amortization and Current Portion	-	33,133	33,133
Security Deposits	10,000	-	10,000
Total Long-Term Assets	1,763,851	58,503	1,822,354
Total Assets	\$ 3,834,442	\$ 388,835	\$ 4,223,277
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 20,811	\$ -	\$ 20,811
Accrued Payroll and Vacation	114,657	-	114,657
Client Escrow Liability	268,237	-	268,237
Capital Lease	4,808	-	4,808
Total Current Liabilities	408,513	-	408,513
Net Assets	3,425,929	388,835	3,814,764
Liabilities and Net Assets	\$ 3,834,442	\$ 388,835	\$ 4,223,277

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 1,974,109	\$ 219,773	\$ 2,193,882
United Way	26,000	26,000	52,000
Contributions of Nonfinancial Assets	128,341	-	128,341
Government Grants and Contracts	712,474	-	712,474
Special Events, (Net of \$37,370 Expenses)	253,068	-	253,068
Investment Loss, Net	(245,113)	(3,223)	(248,336)
Gain on Disposal of Property and Equipment	90,966	-	90,966
Other Income	50,570	-	50,570
	2,990,415	242,550	3,232,965
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	143,072	(143,072)	-
Satisfaction of Time Restrictions	145,842	(145,842)	-
	288,914	(288,914)	-
 Total Revenue and Other Support	 3,279,329	 (46,364)	 3,232,965
 EXPENSES			
Program Services	3,261,359	-	3,261,359
Management and General	163,533	-	163,533
Fundraising	278,758	-	278,758
Total Expenses	3,703,650	-	3,703,650
 CHANGE IN NET ASSETS	 (424,321)	 (46,364)	 (470,685)
Net Assets - Beginning of Year	3,425,929	388,835	3,814,764
 NET ASSETS - END OF YEAR	 \$ 3,001,608	 \$ 342,471	 \$ 3,344,079

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 2,213,479	\$ 164,521	\$ 2,378,000
United Way	74,081	105,919	180,000
Contributions of Nonfinancial Assets	251,045	-	251,045
Government Grants and Contracts	668,706	-	668,706
Special Events (Net of Direct Costs of \$4,821)	171,463	-	171,463
Investment Income, Net	357,343	4,324	361,667
Forgiveness of Debt	344,000	-	344,000
Other Income	35,362	-	35,362
	4,115,479	274,764	4,390,243
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	413,002	(413,002)	-
Satisfaction of Time Restrictions	122,468	(122,468)	-
	535,470	(535,470)	-
 Total Revenue and Other Support	 4,650,949	 (260,706)	 4,390,243
EXPENSES			
Program Services	3,505,067	-	3,505,067
Management and General	183,296	-	183,296
Fundraising	324,853	-	324,853
Total Expenses	4,013,216	-	4,013,216
 CHANGE IN NET ASSETS	 637,733	 (260,706)	 377,027
Net Assets - Beginning of Year	2,788,196	649,541	3,437,737
 NET ASSETS - END OF YEAR	 \$ 3,425,929	 \$ 388,835	 \$ 3,814,764

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,206,155	\$ 94,049	\$ 161,292	\$ 1,461,496
Taxes and Benefits	275,858	28,112	34,540	338,510
Family Subsidies	1,041,602	29	50	1,041,681
Family Support	153,446	-	-	153,446
Other Program Expenses	77,467	326	1,045	78,838
Board Expenses	56	112	8	176
Building Expenses	256,181	12,949	22,199	291,329
Office Expenses	37,533	2,755	11,069	51,357
Public Relations and Development Expenses	640	-	38,656	39,296
Professional Services	211,066	25,069	47,088	283,223
Miscellaneous Expenses	1,355	132	181	1,668
	<u>3,261,359</u>	<u>163,533</u>	<u>316,128</u>	<u>3,741,020</u>
Less: Special Events Cost Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(37,370)</u>	<u>(37,370)</u>
Total	<u>\$ 3,261,359</u>	<u>\$ 163,533</u>	<u>\$ 278,758</u>	<u>\$ 3,703,650</u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,376,123	\$ 125,296	\$ 187,684	\$ 1,689,103
Taxes and Benefits	289,219	18,471	42,045	349,735
Family Subsidies	948,207	-	-	948,207
Family Support	170,587	-	-	170,587
Other Program Expenses	187,304	821	2,698	190,823
Building Expenses	256,010	16,420	24,887	297,317
Office Expenses	46,683	4,313	12,657	63,653
Public Relations and Development Expenses	-	-	8,963	8,963
Professional Services	229,609	17,854	50,560	298,023
Miscellaneous Expenses	1,325	121	180	1,626
	<u>3,505,067</u>	<u>183,296</u>	<u>329,674</u>	<u>4,018,037</u>
Less: Special Events Cost Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(4,821)</u>	<u>(4,821)</u>
Total	<u><u>\$ 3,505,067</u></u>	<u><u>\$ 183,296</u></u>	<u><u>\$ 324,853</u></u>	<u><u>\$ 4,013,216</u></u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (470,685)	\$ 377,027
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	61,773	66,954
Amortization	1,842	1,842
Gain on Disposal of Property and Equipment	(90,966)	-
Realized and Unrealized Gain on Investments, Net	248,336	(361,667)
Forgiveness of Debt	-	(344,000)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	20,821	(18,648)
Accounts, Grants, and Other Receivables	(129,476)	132,958
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(4,538)	(10,576)
Client Escrow Liability	(58,422)	108,370
Accrued Payroll and Vacation	13,153	(8,296)
Net Cash Used by Operating Activities	(408,162)	(56,036)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	56,994	86,037
Purchases of Investments	(57,466)	(86,038)
Proceeds from the Sale of Property and Equipment	147,010	-
Purchases of Property and Equipment	-	(65,936)
Net Cash Provided (Used) by Investing Activities	146,538	(65,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Payable	(9,528)	(11,265)
Net Cash Used by Financing Activities	(9,528)	(11,265)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(271,152)	(133,238)
Cash and Cash Equivalents - Beginning of Year	1,757,602	1,890,840
CASH AND EQUIVALENTS - END OF YEAR	\$ 1,486,450	\$ 1,757,602
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Purchase of Property and Equipment Through Capital Lease	\$ 42,767	\$ -

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION

Charlotte Family Housing, Inc. (the Organization) is a private nonprofit 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 has two shelter sites as of June 30, 2022 and 2021: 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 15-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, 2022 AND 2021

NOTE 1 ORGANIZATION (CONTINUED)

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.

Carolina Housing for All, LLC: The Organization formed Carolina Housing for All, LLC (CHA) on June 9, 2021 to promote affordable housing in the Carolinas. CHA was formed to assist low-income and moderate-income North Carolina residents in obtaining safe and affordable housing by providing existing housing, constructing new facilities, and rehabilitating existing buildings or vacant sites to combat the community's deterioration and contribute to its physical improvement. As of June 30, 2022, CHA has not commenced operations, holds no assets, and has not incurred any liabilities.

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 accounting principles generally accepted in the United States of America (U.S. 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, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which increases transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities. This new standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and to disclose information regarding the measurement of the nonfinancial assets. Required disclosures include whether the contributions were monetized or utilized during the reporting period, a description of the valuation technique used to determine a fair value measure, and a description of any donor-imposed restrictions associated with the contribution. The Organization's adoption of this new guidance only resulted in additional disclosures being added to the financial statements.

Use of Estimates

The preparation of the financial statements in conformity with U.S. 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 or without donor restrictions support 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, depending on the nature of the restriction. 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 – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

Grants and Purchased Services

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as services are performed under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Purchased Services (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of approximately \$93,000 and \$51,000 for the years ended June 30, 2022 and 2021, respectively that have not been recognized, because qualifying expenditures have not yet been incurred. No advance payments have been received.

A portion of the Organization's revenue is from fee-for-service arrangements. Management recognizes revenue from fee-for-service arrangements as services are provided at a point in time. Fees collected in advance of the completion of these services are reported as unearned revenue on the statements of financial position. Revenue is recorded at the transaction price, which does not include any price concessions.

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 Federal Deposits Insurance Company (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.

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 to 31 years
Furniture and equipment	5 to 10 years
Transportation equipment	5 years
Leasehold improvements	7 years

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation expense was approximately \$62,000 and \$67,000 for the years ended June 30, 2022 and 2021, respectively.

Contributed Nonfinancial Assets

The Organization recognized nonfinancial assets within revenue, including donated materials and services and donated use of facilities, as further described below. Contributed nonfinancial assets did not have donor-imposed restrictions.

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. Such services have been reflected in the accompanying financial statements at their estimated fair value based on hourly rates if the Organization would have directly employed the individuals performing the services. During the years ended June 30, 2022 and 2021, the Organization recorded approximately \$30,000 and \$130,000, respectively, 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 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, 2022 and 2021, the Organization received donated use of facilities in the amount of approximately \$99,000 and \$121,000, respectively. This relates to condos that the owners allow the Organization to rent out to program participants and the estimated fair value 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). Other costs such as depreciation have been allocated based on management's estimates of square footage.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 nonprofit 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, 2022 and 2021.

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, 2022 and 2021.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Charlotte Family Housing, Inc. is a nonprofit 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.

U.S. 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, 2022 and 2021.

Recent Accounting Pronouncement Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Organization for the year ended June 30, 2023. The Organization is currently evaluating the effect that the standard will have on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date the financial statements were available to be issued.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 nonprofit 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, 2022 and 2021, was comprised of the following:

	<u>2022</u>	<u>2021</u>
Active LT Growth Pool	\$ 1,134,755	\$ 1,325,728
Income and Growth Pool	391,602	448,493
Total	<u>\$ 1,526,357</u>	<u>\$ 1,774,221</u>

Investment income (loss) for the years ended June 30, 2022 and 2021 was comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest, Realized, and Unrealized Gain (Loss) on Investments, Net	\$ (234,514)	\$ 374,083
Fees	(13,822)	(12,416)
Total	<u>\$ (248,336)</u>	<u>\$ 361,667</u>

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

Accounts, grants, and other receivables are shown at estimated realizable value. Accounts, grants, and other receivables consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
United Way	\$ 26,000	\$ 40,000
Pledges and Contributions Receivable	350,963	233,873
Government Grants	50,591	25,509
Other	5,712	4,408
Total Accounts, Grants, and Other Receivables	<u>\$ 433,266</u>	<u>\$ 303,790</u>

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

These receivables are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Due in Less than One Year	\$ 433,266	\$ 298,790
Due in One to Five Years	-	5,000
Total	<u>\$ 433,266</u>	<u>\$ 303,790</u>

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, 2022 and 2021. The Organization expects to collect all outstanding balances. Accordingly, there was no allowance for uncollectible accounts, grants, and other receivables at June 30, 2022 or 2021.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
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
Subtotal		
Less: Accumulated straight-line amortization at \$1,842 per year, beginning January 1, 1991.	(58,944)	(57,102)
Total	<u>\$ 33,133</u>	<u>\$ 34,975</u>

The Organization had a lease agreement for the Hawthorne Place Shelter with a religious organization for rent at \$1 per year (which represented a discount from fair market value at inception) that expired on July 31, 2019. During the year ended June 30, 2020, the Organization extended the lease for an additional 60-day extension, expiring on September 30, 2019. The Organization continued to occupy space at the Hawthorne Place Shelter until a new lease agreement was entered into (see Note 9 regarding the new lease agreement). As such, the Organization recognized an in-kind contribution of approximately \$15,000 in the accompanying statement of activities for the year ended June 30, 2021. There was no in-kind contribution related this agreement for year ended June 30, 2022.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 NOTE PAYABLE

In April 2020, the Organization entered into a new unsecured promissory note (the Note) with a lender in the amount of \$344,000 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the Small Business Administration (SBA). Under the terms of the agreement, the Note bears an interest rate of 1.0% and will be repaid in 18 monthly installments of \$19,363 beginning on November 23, 2020. In February 2021, the SBA had formally forgiven the Organization's obligation under this PPP Loan, and as such, the Organization has recognized approximately \$344,000 as forgiveness of debt on the accompanying statement of activities for the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Organization leases office equipment under capital lease obligations. The total cost of items under capital leases was approximately \$99,000 and \$56,000 as of June 30, 2022 and 2021, respectively. Total accumulated amortization of items under capital leases was approximately \$57,000 and \$49,000 as of June 30, 2022 and 2021, respectively.

Future minimum lease payments under capital lease obligations subsequent to June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 12,171
2024	9,336
2025	9,336
2026	9,336
2027	778
Less: Amount Representing Interest	(2,584)
Capital Lease Obligation	<u><u>\$ 38,373</u></u>

**CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2022 and 2021.

Net Assets with Donor Restrictions – Net Assets with Donor Restrictions consisted of the following at June 30, 2022 and 2021:

	2022	2021
Purpose Restricted:		
Capital Improvements	\$ 935	\$ 1,015
Clinical Social Worker	-	35,477
COVID-19 Response	2,957	74,373
Direct Financial Assistance	18,707	20,525
Hope Team	3,164	9,730
Housing Resource Specialist	51,412	-
Housing Subsidies	3,611	-
Other	12,655	37,373
Transportation	-	499
	93,441	178,992
Time Restricted:		
Accumulated Income in Perpetual Endowment	10,839	14,062
Bargain Use of Land	33,133	34,973
Pledges	167,250	109,000
United Way Allocation	26,000	40,000
	237,222	198,035
Permanently Restricted:		
Employee Assistance Fund	5,500	5,500
Endowment	6,308	6,308
	11,808	11,808
Total	\$ 342,471	\$ 388,835

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Purpose Restriction Accomplished		
Capital Improvements	\$ 80	\$ 7,633
Case Management	-	53,463
Clinical Social Worker	35,476	71,723
COVID-19 Response	71,414	152,067
Direct Financial Assistance	1,818	56,449
Hope Team	6,566	7,770
Housing Resource Specialist	-	50,981
Housing Subsidies	-	902
Other	27,219	929
Transportation	499	11,085
	<u>143,072</u>	<u>413,002</u>
Passage of Time		
Bargain Use of Land	1,842	1,843
Pledges	104,000	64,375
United Way Allocation	40,000	56,250
	<u>145,842</u>	<u>122,468</u>
Total	<u>\$ 288,914</u>	<u>\$ 535,470</u>

NOTE 9 OPERATING LEASE COMMITMENTS

The Organization leases its office space under a three-year agreement which commenced on August 1, 2016 and was in effect until July 31, 2019. A new lease agreement was not signed during the year ended June 30, 2020. The Organization paid on a month-to-month basis until a new lease agreement was entered into during the year ended June 30, 2021. The new agreement commenced on April 1, 2021 and is in effect until December 31, 2023.

During the year ended June 30, 2021, the Organization entered into a lease agreement for the Hawthorne Place Shelter which commenced on April 1, 2021 and is in effect until December 31, 2023. The Organization previously leased this property under a bargain lease agreement (see Note 5). Total rent expense, including in-kind, was approximately \$140,000 and \$144,000 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under operating lease obligations subsequent to June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 52,007
2024	26,227
Total Lease Payments	<u>\$ 78,234</u>

**CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 \$4,000 and \$7,000 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in Assets Held by Trustee	\$ -	\$ -	\$ 1,526,357	\$ 1,526,357
	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in Assets Held by Trustee	\$ -	\$ -	\$ 1,774,221	\$ 1,774,221

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 prorata 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, 2020	\$ 16,046	\$ 387,873	\$ 1,008,634	\$ 1,412,553
Contributions	-	86,038	-	86,038
Interest, Realized and Unrealized Gains on Investments, Net	4,824	63,787	305,472	374,083
Fees	(500)	(3,168)	(8,748)	(12,416)
Disbursements	-	(86,037)	-	(86,037)
Balance at June 30, 2021	<u>20,370</u>	<u>448,493</u>	<u>1,305,358</u>	<u>1,774,221</u>
Contributions	-	57,466	-	57,466
Interest, Realized and Unrealized Gains on Investments, Net	(2,723)	(53,805)	(177,986)	(234,514)
Fees	(500)	(3,559)	(9,763)	(13,822)
Disbursements	-	(56,994)	-	(56,994)
Balance at June 30, 2022	<u><u>\$ 17,147</u></u>	<u><u>\$ 391,601</u></u>	<u><u>\$ 1,117,609</u></u>	<u><u>\$ 1,526,357</u></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 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, 2022 AND 2021

NOTE 12 RISKS AND UNCERTAINTIES (CONTINUED)

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Organization's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include but are not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,177,694	\$ 1,311,225
Current Portion of Accounts, Grants, and Other Receivables - Without Donor Restrictions	<u>240,016</u>	<u>148,440</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u>\$ 1,417,710</u>	<u>\$ 1,459,665</u>

NOTE 14 EMPLOYEE RETENTION CREDIT

In response to the adverse economic impact of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by congress and became law on March 27, 2020. The Employee Retention Credit (ERC) was a part of the CARES Act and for the period through December 31, 2020 provided for a refundable payroll tax credit for 50% of wages paid by employers to employees (up to \$10,000 per employee) upon meeting certain criteria. The ERC is available to employers whose operations were fully or partially suspended or whose gross receipts declined by more than 50% when compared to the same quarter in the prior year.

**CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 14 EMPLOYEE RETENTION CREDIT (CONTINUED)

The Organization determined that as a result of its operations being partially suspended due to various governmental orders it met the criteria to qualify for the ERC for the second, third, and fourth quarters of 2020. Accordingly, the Organization submitted applications for the ERC totaling approximately \$156,000. This ERC is included in Government Grants and Contracts in the statement of activities for the year ended June 30, 2022. The Organization received payment for this ERC during the year ended June 30, 2022.



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