

Charlotte Family Housing, Inc.

Financial Statements

June 30, 2023

CHARLOTTE FAMILY HOUSING, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Charlotte Family Housing, Inc. (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Charlotte Family Housing, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, 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.

Charlotte Family Housing, Inc.
Charlotte, North Carolina

In performing an audit in accordance with generally accepted auditing standards, 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 purposes of expressing an opinion on the effectiveness of Charlotte Family Housing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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 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.

Prior Period Financial Statements

The Organization's financial statements as of June 30, 2022, were audited by other auditors whose report dated September 29, 2022, expressed an unmodified opinion on those statements.

Foard & Company, P.A.
September 14, 2023

CHARLOTTE FAMILY HOUSING, INC.

Statement of Financial Position

June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,217,853	\$ 161,375	\$ 1,379,228
Cash and cash equivalents - Client escrow	85,081	-	85,081
Prepaid expenses	42,713	-	42,713
Accounts, grants, and other receivables	100,216	74,613	174,829
Bargain use of land, net of amortization	-	1,842	1,842
Total Current Assets	1,445,863	237,830	1,683,693
Property and Equipment:			
Land, buildings and improvements	720,539	-	720,539
Furniture and equipment	263,756	-	263,756
Leasehold improvements	176,638	-	176,638
	1,160,933	-	1,160,933
Less: Accumulated depreciation	(927,878)	-	(927,878)
Property and Equipment, Net	233,055	-	233,055
Long-Term Assets:			
Investments - Beneficial interest in assets held in trust by third party	1,636,018	18,311	1,654,329
Accounts, grants, and other receivables, net of current	-	150,000	150,000
Operating lease right-of-use asset	34,040	-	34,040
Finance lease right-of-use asset	26,373	-	26,373
Bargain use of land, net of amortization and current portion	-	29,449	29,449
Security deposits	10,000	-	10,000
Total Long-Term Assets	1,706,431	197,760	1,904,191
TOTAL ASSETS	\$ 3,385,349	\$ 435,590	\$ 3,820,939
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 21,992	\$ -	\$ 21,992
Accrued payroll and vacation	110,466	-	110,466
Client escrow liability	84,170	-	84,170
Current portion of right-of-use operating lease liability	27,219	-	27,219
Current portion of right-of-use financing lease liability	8,519	-	8,519
Total Current Liabilities	252,366	-	252,366
Long-Term Liabilities:			
Right-of-use operating lease liability, net of current portion	6,821	-	6,821
Right-of-use financing lease liability, net of current portion	21,128	-	21,128
Total Long-Term Liabilities	27,949	-	27,949
Total Liabilities	280,315	-	280,315
Total Net Assets	3,105,034	435,590	3,540,624
TOTAL LIABILITIES AND NET ASSETS	\$ 3,385,349	\$ 435,590	\$ 3,820,939

See accompanying notes to financial statements.

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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	246,248	-	246,248
Leasehold improvements	145,738	-	145,738
	1,099,209	-	1,099,209
Less: Accumulated depreciation	(914,578)	-	(914,578)
Property and Equipment, Net	184,631	-	184,631
Long-Term Assets:			
Investments - Beneficial interest in assets held in trust by third party	1,509,210	17,147	1,526,357
Finance lease right-of-use asset	34,926	-	34,926
Bargain use of land, net of amortization and current portion	-	31,291	31,291
Security deposits	10,000	-	10,000
Total Long-Term Assets	1,554,136	48,438	1,602,574
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
Current portion of right-of-use financing lease liability	11,123	-	11,123
Total Current Liabilities	365,021	-	365,021
Long-Term Liabilities:			
Right-of-use financing lease liability, net of current portion	27,250	-	27,250
Total Long-Term Liabilities	27,250	-	27,250
Total Liabilities	392,271	-	392,271
Total Net Assets	3,001,608	342,471	3,344,079
TOTAL LIABILITIES AND NET ASSETS	\$ 3,393,879	\$ 342,471	\$ 3,736,350

CHARLOTTE FAMILY HOUSING, INC.**Statement of Activities****Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 1,983,012	\$ 716,764	\$ 2,699,776
Contributions of non-financial assets	186,594	-	186,594
Government grants and contracts	450,417	-	450,417
Investment income, net	146,338	1,164	147,502
Other income	22,891	-	22,891
	2,789,252	717,928	3,507,180
Net assets released from restrictions:			
Satisfaction of purpose restrictions	390,802	(390,802)	-
Satisfaction of time restrictions	234,007	(234,007)	-
	624,809	(624,809)	-
<i>Total Support and Revenue</i>	<i>3,414,061</i>	<i>93,119</i>	<i>3,507,180</i>
<u>EXPENSES</u>			
Program services	2,877,380	-	2,877,380
Management and general	144,763	-	144,763
Fund raising	288,492	-	288,492
<i>Total Expenses</i>	<i>3,310,635</i>	<i>-</i>	<i>3,310,635</i>
<i>CHANGE IN NET ASSETS</i>	<i>103,426</i>	<i>93,119</i>	<i>196,545</i>
<i>NET ASSETS, BEGINNING</i>	<i>3,001,608</i>	<i>342,471</i>	<i>3,344,079</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 3,105,034</i>	<i>\$ 435,590</i>	<i>\$ 3,540,624</i>

CHARLOTTE FAMILY HOUSING, INC.**Statement of Activities****Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 1,974,109	\$ 219,773	\$ 2,193,882
United Way	26,000	26,000	52,000
Contributions of non-financial 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)	-
<i>Total Support and Revenue</i>	<i>3,279,329</i>	<i>(46,364)</i>	<i>3,232,965</i>
<u>EXPENSES</u>			
Program services	3,261,359	-	3,261,359
Management and general	163,533	-	163,533
Fund raising	278,758	-	278,758
<i>Total Expenses</i>	<i>3,703,650</i>	<i>-</i>	<i>3,703,650</i>
<i>CHANGE IN NET ASSETS</i>	<i>(424,321)</i>	<i>(46,364)</i>	<i>(470,685)</i>
<i>NET ASSETS, BEGINNING</i>	<i>3,425,929</i>	<i>388,835</i>	<i>3,814,764</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 3,001,608</i>	<i>\$ 342,471</i>	<i>\$ 3,344,079</i>

CHARLOTTE FAMILY HOUSING, INC.**Statement of Functional Expenses****Year Ended June 30, 2023**

	Program	Management and General	Fund Raising	Totals
<u>PERSONNEL</u>				
Salaries	\$ 1,117,510	\$ 110,371	\$ 151,761	\$ 1,379,642
Taxes and benefits	240,894	23,792	32,714	297,400
<i>Total Personnel</i>	1,358,404	134,163	184,475	1,677,042
<u>OTHER EXPENSES</u>				
Family subsidies	722,120	-	-	722,120
Family support	62,612	-	-	62,612
Other program expenses	136,562	320	3,970	140,852
Board expenses	104	10	-	114
Building expenses	320,621	194	14,833	335,648
Office expenses	45,169	53	5,876	51,098
Public relations and development	105	9,780	-	9,885
Professional services	230,723	242	79,260	310,225
Miscellaneous expenses	960	1	78	1,039
<i>Total Other Expenses</i>	1,518,976	10,600	104,017	1,633,593
Less: Special events cost deducted from revenue	-	-	-	-
<i>TOTAL EXPENSES</i>	\$ 2,877,380	\$ 144,763	\$ 288,492	\$ 3,310,635

CHARLOTTE FAMILY HOUSING, INC.**Statement of Functional Expenses****Year Ended June 30, 2022**

	Program	Management and General	Fund Raising	Totals
<u>PERSONNEL</u>				
Salaries	\$ 1,206,155	\$ 94,049	\$ 161,292	\$ 1,461,496
Taxes and benefits	275,858	28,112	34,540	338,510
<i>Total Personnel</i>	1,482,013	122,161	195,832	1,800,006
<u>OTHER EXPENSES</u>				
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	640	-	38,656	39,296
Professional services	211,066	25,069	47,088	283,223
Miscellaneous expenses	1,355	132	181	1,668
<i>Total Other Expenses</i>	1,779,346	41,372	120,296	1,941,014
Less: Special events cost deducted from revenue	-	-	(37,370)	(37,370)
<i>TOTAL EXPENSES</i>	\$ 3,261,359	\$ 163,533	\$ 278,758	\$ 3,703,650

CHARLOTTE FAMILY HOUSING, INC.**Statement of Cash Flows****Years Ended June 30, 2023**

	June 30,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 196,545	\$ (470,685)
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation	30,478	61,773
Amortization	1,842	1,842
Gain on disposal of property and equipment	-	(90,966)
(Increase) decrease in value of beneficial interest	(127,972)	248,336
(Increase) decrease in operating assets:		
Prepaid expenses	(15,126)	20,821
Accounts, grants, and other receivables	108,437	(129,476)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,719	(4,538)
Accrued payroll and vacation	(17,344)	13,153
Client escrow liability	(125,645)	(58,422)
<i>Cash Flows from Operating Activities</i>	<i>56,934</i>	<i>(408,162)</i>
<u>INVESTING ACTIVITIES</u>		
Proceeds from the sale of investments	-	56,994
Purchases of investments	-	(57,466)
Proceeds from the sale of property and equipment	-	147,010
Purchases of property and equipment	(70,349)	-
<i>Cash Flows from Investing Activities</i>	<i>(70,349)</i>	<i>146,538</i>
<u>FINANCING ACTIVITIES</u>		
Payments on right of use finance lease	(8,726)	(9,528)
<i>Cash Flows from Financing Activities</i>	<i>(8,726)</i>	<i>(9,528)</i>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,141)	(271,152)
CASH AND CASH EQUIVALENTS, BEGINNING	1,486,450	1,757,602
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,464,309	\$ 1,486,450
<u>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</u>		
Purchase of property and equipment through finance lease	\$ -	\$ 42,767

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Charlotte Family Housing, Inc. (the Organization) is a private nonprofit enterprise that works to solve family homelessness by doing three things:

- **Housing families:** We address the immediate need of homelessness by sheltering homeless families and helping 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, 2023. 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 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. Resident Advisors are available to assist families 24 hours a day.
- 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. Families spend time together in the communal living area and playroom developing bonds of friendship and encouragement. All of the families at Hawthorne Place work first shift jobs, which allows CFH to close the facility during the day. Resident Advisors are available in the evening and throughout the night to assist families at Hawthorne Place.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

CFH Housing Phase: The Organization offers subsidized housing to approximately 200 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 program guidelines, and 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.

Carolinas Housing for All, LLC: The Organization formed Carolinas Housing for All, LLC (CHFA) on June 9, 2021 to promote affordable housing in the Carolinas. CHFA 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, 2023, CHFA has not commenced operations, holds no assets, and has not incurred any liabilities.

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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.

Net assets with donor restrictions – These net assets consist of amounts that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or the passage of time, and net assets that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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, 2023 and 2022

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those 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 be either unconditional contributions, exchange transactions, or conditional contributions. If considered an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered an exchange transaction, revenue from grants is recorded as services are performed under the terms of the respective grant agreement. If considered a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

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 \$144,000 and \$93,000 for the years ended June 30, 2023 and 2022, 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 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.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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, which range from five years for transportation equipment, five to ten years for furniture and equipment, seven years for leasehold improvements and thirty-one years for building and improvements.

Depreciation expense was approximately \$30,500 and \$62,000 for the years ended June 30, 2023 and 2022, 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. 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, 2023 and 2022, the Organization recorded approximately \$64,000 and \$30,000 of donated goods and services. The contributed nonfinancial assets did not have donor-imposed restrictions.

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.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Donated Facility Usage

During the years ended June 30, 2023 and 2022, the Organization received donated use of facilities in the amount of approximately \$123,000 and \$99,000, 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.

Income tax status

The Organization 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.

The Organization claimed the Employee Retention Tax Credit for the second, third, and fourth quarters of 2020 due to being impacted by the government shutdown. The claims are subject to review and examination by the Internal Revenue Service for three years from the date of claim.

Recent accounting pronouncement

The Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementation, the Organization recognized ROU assets of \$86,645 and operating lease liabilities of \$86,645.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Functional 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.

NOTE B – 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, 2023 and 2022, the fair market value was \$1,654,329 and \$1,526,357, respectively.

Investment income (loss) related to the Foundation's investments for the years ended June 30, 2023 and 2022, was approximately \$128,000 and (\$248,000), respectively.

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 year ended June 30, 2023 and 2022.

Fair value measurements

Generally accepted accounting principles require the fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's beneficial interest in the Foundation is classified as Level 3 assets and is valued by the Foundation based on the value of the underlying securities, which consist of investments that are both publicly traded and not publicly traded.

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	\$ 1,526,357	\$ 1,774,221
Purchases	-	57,466
Sales	-	(56,994)
Increase (decrease) in value of beneficial interest	127,972	(248,336)
Balance, end of year	<u>\$ 1,654,329</u>	<u>\$ 1,526,357</u>

NOTE C – RECEIVABLES

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, 2023 and 2022:

	2023	2022
United Way	\$ -	\$ 26,000
Pledges and contributions receivable	247,827	350,963
Government grants	69,529	50,591
Other	7,384	5,712
Total Accounts, Grants, and Other Receivables	<u>\$ 324,740</u>	<u>\$ 433,266</u>

These receivables are expected to be collected for the year ended June 30, 2023 as follows:

2024	\$ 174,744
2025	50,000
2026	50,000
2027	50,000
Total	<u>\$ 324,740</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, 2023 and 2022. The Organization expects to collect all outstanding balances. Accordingly, there was no allowance for uncollectible accounts, grants, and other receivables at June 30, 2023 and 2022.

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE D – 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, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</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
Less: Accumulated straight-line amortization at \$1,842 Per year, beginning January 1, 1991	<u>(60,786)</u>	<u>(58,944)</u>
Total	<u>\$ 31,291</u>	<u>\$ 33,133</u>

NOTE E – LEASES

The Organization leases office facilities and equipment under various terms under long-term non-cancelable operating lease and finance lease arrangements. The leases expire at various dates through 2027. An operating lease provides for increases in future minimum annual rental payments. The weighted-average discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. Operating leases with a term of 12 months or less are not recorded on the statement of financial position.

The right-of-use assets and lease liabilities at June 30, 2023 and 2022 are as follows:

Lease Assets – Classification in Statement of Financial Position

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use	\$ 34,040	\$ -
Finance lease right-of-use	<u>26,373</u>	<u>34,926</u>
Total leased right-of-use assets	<u>\$ 60,413</u>	<u>\$ 34,926</u>

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Lease Liabilities – Classification in the Statement of Financial Position

	2023	2022
Operating lease liabilities	\$ 34,040	\$ -
Finance lease liabilities	29,647	38,373
Total lease liabilities	<u>\$ 63,687</u>	<u>\$ 38,373</u>

Total lease costs for the year ended June 30, 2023 and 2022 are as follows:

	2023	2022
Operating lease costs	\$ 53,360	\$ 48,500
Finance lease costs:		
Interest expense	1,110	1,380
Amortization of right-of-use assets	8,553	7,841
Total lease costs	<u>\$ 63,023</u>	<u>\$ 57,721</u>

Weighted-average discount rate:

Operating leases	2.81%
Finance leases	3.50%

Weighted-average remaining lease term

Operating leases	1.61
Finance leases	3.08

Future minimum lease payments required under operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Years Ending June 30,	Finance Amounts	Operating Amounts
2024	\$ 11,654	\$ 27,580
2025	9,336	1,800
2026	9,336	1,800
2027	778	1,800
2028	-	1,800
Total lease payments	<u>31,104</u>	<u>34,780</u>
Less: imputed interest	<u>(1,457)</u>	<u>(740)</u>
Present value of liability	<u>\$ 29,647</u>	<u>\$ 34,040</u>

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE F –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, 2023 and 2022.

Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30, 2023 and 2022:

	2023	2022
Purpose Restricted:		
Shelter	\$ 24,201	\$ 3,895
Social work	19,174	33,597
Social workers salaries	105,974	-
Housing resource specialist	2,555	51,412
Housing subsidies	4,332	4,537
Total Purpose Restricted	156,237	93,441
Time Restricted:		
Accumulated income in perpetual endowment	12,004	10,839
Bargain use of land	31,291	33,133
Pledges	224,250	167,250
United Way Allocation	-	26,000
Total Time Restricted	267,545	237,222
Permanently Restricted:		
Employee assistance fund	5,500	5,500
Endowment	6,308	6,308
Total Permanently Restricted	11,808	11,808
Total	\$ 435,590	\$ 342,471

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by donors, or the passage of time during the year ended June 30, 2023, were as follows:

	2023	2022
Purpose Restriction Accomplished:		
Shelter	\$ 40,292	\$ -
Social work	27,423	-
Social workers salaries	219,026	35,476
Housing resource specialist	48,857	-
Capital improvements	50,000	80
COVID-19 response	-	71,414
All individual funds below \$10,000	5,204	36,102
	<hr/>	<hr/>
Total Purpose Restricted Accomplishes	390,802	143,072
Passage of Time Accomplished:		
Bargain use of land	1,842	1,842
Pledges	206,165	104,000
United Way Allocation	26,000	40,000
	<hr/>	<hr/>
Total Passage of Time Accomplishes	234,007	145,842
Total	<u>\$ 624,809</u>	<u>\$ 288,914</u>

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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, 2023 and 2022:

	2023	2022
Cash and cash equivalents – without donor restrictions	\$ 1,217,853	\$ 1,177,694
Current portion of receivables – without donor restrictions	100,216	240,016
	<hr/>	<hr/>
Total net financial assets available to meet liquidity needs	<u>\$ 1,318,069</u>	<u>\$ 1,417,710</u>

CHARLOTTE FAMILY HOUSING, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE H – CONCENTRATIONS OF RISK

Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). During the year, the Organization may hold cash in excess of the insured limits covered by the FDIC; however, the Organization believes it is not exposed to any significant credit risk related to these accounts.

Geographic area

Charlotte Family Housing operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

Investment risk

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 I – 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.

NOTE J – 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 \$6,500 and \$4,000 for the year ended June 30, 2023 and 2022, respectively.

CHARLOTTE FAMILY HOUSING, INC.**Notes to Financial Statements****June 30, 2023 and 2022**

NOTE K – SUBSEQUENT EVENTS

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