

CHARLOTTE FAMILY HOUSING, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**CHARLOTTE FAMILY HOUSING, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Charlotte Family Housing, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Charlotte Family Housing, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Family Housing, Inc. as of June 30, 2021 and 2020, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
September 23, 2021

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
Current Portion of 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 FINANCIAL POSITION
JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,347,918	\$ 383,055	\$ 1,730,973
Cash and Cash Equivalents - Client Escrow	159,867	-	159,867
Prepaid Expenses	29,760	-	29,760
Current Portion of Accounts, Grants, and Other Receivables	223,125	198,623	421,748
Bargain Use of Land, Net of Amortization	-	1,842	1,842
Total Current Assets	1,760,670	583,520	2,344,190
PROPERTY AND EQUIPMENT			
Land, Buildings and Improvements	693,287	-	693,287
Furniture and Equipment	246,248	-	246,248
Leasehold Improvements	166,995	-	166,995
	1,106,530	-	1,106,530
Less: Accumulated Depreciation Property and Equipment, Net	(811,231)	-	(811,231)
	295,299	-	295,299
LONG-TERM ASSETS			
Grants Receivable, Net of Current Portion	-	15,000	15,000
Investments - Beneficial Interest in Assets Held in Trust by Third-Party	1,396,507	16,046	1,412,553
Bargain Use of Land, Net of Amortization and Current Portion	-	34,975	34,975
Security Deposits	10,000	-	10,000
Total Long-Term Assets	1,406,507	66,021	1,472,528
Total Assets	\$ 3,462,476	\$ 649,541	\$ 4,112,017
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 31,387	\$ -	\$ 31,387
Accrued Payroll and Vacation	122,953	-	122,953
Client Escrow Liability	159,867	-	159,867
Current Portion of Capital Lease	11,265	-	11,265
Current Portion of Note Payable	151,319	-	151,319
Total Current Liabilities	476,791	-	476,791
LONG-TERM LIABILITIES			
Capital Lease, Net of Current Portion	4,808	-	4,808
Note Payable, Net of Current Portion	192,681	-	192,681
Total Long-Term Liabilities	197,489	-	197,489
Total Liabilities	674,280	-	674,280
Net Assets	2,788,196	649,541	3,437,737
Liabilities and Net Assets	\$ 3,462,476	\$ 649,541	\$ 4,112,017

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
In-kind Contributions	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 ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 2,296,001	\$ 223,177	\$ 2,519,178
United Way	59,480	90,520	150,000
In-kind Contributions	142,846	-	142,846
Government Grants and Contracts	535,749	-	535,749
Special Events (Net of Direct Costs of \$21,872)	267,886	-	267,886
Investment Income, Net	19,690	(371)	19,319
Other Income	31,837	-	31,837
	3,353,489	313,326	3,666,815
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Purpose Restrictions	351,890	(351,890)	-
Satisfaction of Time Restrictions	293,435	(293,435)	-
	645,325	(645,325)	-
 Total Revenue and Other Support	 3,998,814	 (331,999)	 3,666,815
EXPENSES			
Program Services	2,988,051	-	2,988,051
Management and General	170,155	-	170,155
Fundraising	319,308	-	319,308
Total Expenses	3,477,514	-	3,477,514
CHANGE IN NET ASSETS	521,300	(331,999)	189,301
Net Assets - Beginning of Year	2,266,896	981,540	3,248,436
NET ASSETS - END OF YEAR	\$ 2,788,196	\$ 649,541	\$ 3,437,737

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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,213,571	\$ 112,023	\$ 189,756	\$ 1,515,350
Taxes and Benefits	268,064	23,076	40,756	331,896
Family Subsidies	784,649	-	-	784,649
Family Support	112,216	-	-	112,216
Other Program Expenses	133,237	1,209	3,827	138,273
Board Expenses	-	383	-	383
Building Expenses	259,781	14,461	24,602	298,844
Office Expenses	40,460	3,357	12,033	55,850
Public Relations and Development Expenses	-	-	24,188	24,188
Professional Services	174,980	15,626	45,984	236,590
Miscellaneous Expenses	1,093	20	34	1,147
	<u>2,988,051</u>	<u>170,155</u>	<u>341,180</u>	<u>3,499,386</u>
Less: Special Events Cost Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(21,872)</u>	<u>(21,872)</u>
Total	<u><u>\$ 2,988,051</u></u>	<u><u>\$ 170,155</u></u>	<u><u>\$ 319,308</u></u>	<u><u>\$ 3,477,514</u></u>

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 377,027	\$ 189,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	66,954	67,689
Amortization	1,842	3,435
Gain on Disposal of Property and Equipment	-	(1,000)
Realized and Unrealized Gain on Investments, Net	(361,667)	(19,319)
Forgiveness of Debt	(344,000)	-
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(18,648)	(19,585)
Accounts, Grants, and Other Receivables	132,958	235,651
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(10,576)	24,226
Client Escrow Liability	108,370	67,419
Accrued Payroll and Vacation	(8,296)	8,868
Deferred Revenue	-	(2,000)
Net Cash Provided (Used) by Operating Activities	(56,036)	554,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	86,037	550,487
Purchases of Investments	(86,038)	(923,134)
Proceeds from the Sale of Property and Equipment	-	1,000
Purchases of Property and Equipment	(65,936)	(47,533)
Net Cash Used by Investing Activities	(65,937)	(419,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	-	344,000
Payments on Capital Lease Payable	(11,265)	(10,890)
Net Cash Provided (Used) by Financing Activities	(11,265)	333,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,238)	468,615
Cash and Cash Equivalents - Beginning of Year	1,890,840	1,422,225
CASH AND EQUIVALENTS - END OF YEAR	\$ 1,757,602	\$ 1,890,840

See accompanying Notes to Financial Statements.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020: 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, 2021 AND 2020

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.

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.

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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$51,000 and \$105,000 for the years ended June 30, 2021 and 2020, 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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (the FDIC). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit; however, management believes they are not exposed to any significant cash credit risk. Escrow cash are funds the Organization deposited on behalf of its program participants with a financial institution. The Organization acts as custodian for the agency accounts, which are legally owned by the participants.

Investments

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

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

Depreciation expense was approximately \$67,000 and \$68,000 for the years ended June 30, 2021 and 2020, respectively.

Donated Materials and Services

Donated materials and equipment are reflected as contributions at estimated fair value at the time of receipt. Donated services, when significant and measurable as to value, are reflected as contributions when provided. During the years ended June 30, 2021 and 2020, the Organization recorded approximately \$130,000 and \$49,000, 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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Facility Usage

During the years ended June 30, 2021 and 2020, the Organization received donated use of facilities in the amount of approximately \$121,000 and \$94,000, respectively. This relates to condos that the owners allow the Organization to rent out to program participants and is determined based on research of comparable market rent. Because there are numerous factors used in determining the rental rates each period, the Organization is unable to estimate the amount of below market rent for future periods. Accordingly, no receivable has been recorded in the accompanying statements of financial position for below market rent.

Functional Allocation of Expenses

Expenses not associated with a specific functional classification are allocated among the various classifications based upon the estimated time spent and the direct salaries and wages of the Organization's staff incurred in each classification (program, management and general, and fundraising). Other costs such as depreciation have been allocated based on management's estimates of square footage.

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, 2021 and 2020.

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.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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, 2021 and 2020.

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, 2021 and 2020.

Recent Accounting Pronouncements

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; however, early application is permitted. 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 23, 2021, the date the financial statements were available to be issued.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, was comprised of the following:

	<u>2021</u>	<u>2020</u>
Active LT Growth Pool	\$ 1,325,728	\$ 1,024,680
Income and Growth Pool	448,493	387,873
Total	<u>\$ 1,774,221</u>	<u>\$ 1,412,553</u>

Investment earnings for the years ended June 30, 2021 and 2020 was comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest, Realized and Unrealized Gain on Investments, Net	\$ 374,083	\$ 30,279
Fees	(12,416)	(10,960)
Total	<u>\$ 361,667</u>	<u>\$ 19,319</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
United Way	\$ 40,000	\$ 131,250
Pledges and Contributions Receivable	233,873	240,485
Government Grants	25,509	58,240
Other	4,408	6,773
Total Accounts, Grants, and Other Receivables	<u>\$ 303,790</u>	<u>\$ 436,748</u>

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 ACCOUNTS, GRANTS, AND OTHER RECEIVABLES (CONTINUED)

These receivables are expected to be collected as follows:

	2021	2020
Due in Less than One Year	\$ 298,790	\$ 421,748
Due in One to Five Years	5,000	15,000
Total	<u>\$ 303,790</u>	<u>\$ 436,748</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, 2021 and 2020. The Organization expects to collect all outstanding balances. Accordingly, there was no allowance for uncollectible accounts, grants, and other receivables at June 30, 2021 or 2020.

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, 2021 and 2020:

	2021	2020
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.	(57,102)	(55,260)
Total	<u>\$ 34,975</u>	<u>\$ 36,817</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 has recognized an in-kind contribution of approximately \$15,000 and \$18,000 in the accompanying statement of activities for the years ended June 30, 2021 and 2020, respectively.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. The outstanding balance on the Note at June 30, 2020 was approximately \$344,000. 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.

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Organization leases office equipment under a capital lease obligation. The total cost of items under capital leases was approximately \$56,000 as of June 30, 2021 and 2020. Total accumulated amortization of items under capital leases was approximately \$49,000 and \$44,000 as of June 30, 2021 and 2020, respectively.

Future minimum lease payments under capital lease obligations subsequent to June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 4,848</u>
Less: Amount Representing Interest	(40)
Capital Lease Obligation	<u><u>\$ 4,808</u></u>

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020.

Net Assets with Donor Restrictions – Net Assets with Donor Restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Purpose Restricted:		
Capital Improvements	\$ 1,015	\$ 8,648
Case Management	-	53,463
Clinical Social Worker	35,477	71,724
COVID-19 Response	74,373	160,520
Direct Financial Assistance	20,525	76,974
Hope Team	9,730	17,500
Housing Resource Specialist	-	50,981
Housing Subsidies	-	902
Other	37,373	3,259
Transportation	499	11,584
	178,992	455,555
Time Restricted:		
Accumulated Income in Perpetual Endowment	14,062	9,738
Bargain Use of Land	34,973	36,815
Pledges	109,000	79,375
United Way Allocation	40,000	56,250
	198,035	182,178
Permanently Restricted:		
Employee Assistance Fund	5,500	5,500
Endowment	6,308	6,308
	11,808	11,808
Total	\$ 388,835	\$ 649,541

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, were as follows:

	2021	2020
Purpose Restriction Accomplished		
Capital Improvements	\$ 7,633	\$ 47,533
Case Management	53,463	45,651
Clinical Social Worker	71,723	137,080
COVID-19 Response	152,067	-
Direct Financial Assistance	56,449	48,285
Hope Team	7,770	-
Housing Resource Specialist	50,981	49,019
Housing Subsidies	902	7,679
Other	929	160
Transportation	11,085	16,483
	413,002	351,890
Passage of Time		
Bargain Use of Land	1,843	1,842
Bargain Use of Property	-	1,593
Pledges	64,375	177,500
United Way Allocation	56,250	112,500
	122,468	293,435
Total	\$ 535,470	\$ 645,325

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 \$144,000 and \$115,000 for the years ended June 30, 2021 and 2020, respectively.

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 OPERATING LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under operating lease obligations subsequent to June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	\$ 59,567
2023	52,007
2024	26,227
Total Lease Payments	\$ 137,801

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 \$7,000 and \$6,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020:

	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Beneficial Interest in Assets Held by Trustee	\$ -	\$ -	\$ 1,774,221	\$ 1,774,221
	2020			Total
	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in Assets Held by Trustee	\$ -	\$ -	\$ 1,412,553	\$ 1,412,553

CHARLOTTE FAMILY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2019	\$ 16,418	\$ 172,778	\$ 831,391	\$ 1,020,587
Contributions	-	300,498	622,636	923,134
Interest, Realized and Unrealized Gains on Investments, Net	128	16,906	13,245	30,279
Fees	(500)	(1,822)	(8,638)	(10,960)
Disbursements	-	(100,487)	(450,000)	(550,487)
Balance at June 30, 2020	<u>16,046</u>	<u>387,873</u>	<u>1,008,634</u>	<u>1,412,553</u>
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>

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, 2021 AND 2020**

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,311,225	\$ 1,347,918
Current Portion of Accounts, Grants, and Other Receivables - Without Donor Restrictions	<u>148,440</u>	<u>223,125</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u>\$ 1,459,665</u>	<u>\$ 1,571,043</u>