

# **Supportive Housing Communities, Inc.**

**Financial Statements**  
For The Years Ended June 30, 2016 and 2015



**SUPPORTIVE HOUSING COMMUNITIES, INC.**

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**Blair, Bohlé & Whitsitt** PLLC  
Certified Public Accountants

10815 Sikes Place  
Suite 100  
Charlotte, NC  
28277

704-841-9800 Main  
704-841-9802 Fax  
[www.bbwpllc.com](http://www.bbwpllc.com)

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Supportive Housing Communities, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

### *Auditor's 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 auditor's 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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Supportive Housing Communities, Inc. as of June 30, 2016 and 2015, 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.

*Blair, Bohle & Whitsitt, PC*

Charlotte, North Carolina  
September 20, 2016



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 463,802	\$ 491,791
Grants and promises to give, net	44,282	49,526
Other receivables	166,694	117,464
Prepaid expenses and other assets	66,167	33,863
<b>Total current assets</b>	<u>740,945</u>	<u>692,644</u>
<b>Property and equipment</b>		
Property and equipment	3,713,858	3,684,479
Accumulated depreciation	(935,793)	(832,935)
<b>Net property and equipment</b>	<u>2,778,065</u>	<u>2,851,544</u>
<b>Other assets</b>		
Grants and promises to give, net	38,705	33,270
Deposits	41,343	30,939
<b>Total other assets</b>	<u>80,048</u>	<u>64,209</u>
	<u>\$ 3,599,058</u>	<u>\$ 3,608,397</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 28,730	\$ 25,228
Accrued expenses	46,223	31,153
Security deposits	9,949	8,349
Other current liabilities	11,594	305
<b>Total current liabilities</b>	<u>96,496</u>	<u>65,035</u>
<b>Long-term liabilities</b>		
Notes payable	1,409,171	1,360,731
<b>Total long-term liabilities</b>	<u>1,409,171</u>	<u>1,360,731</u>
<b>NET ASSETS</b>		
Unrestricted - undesignated	926,577	920,891
Unrestricted - designated	291,655	291,655
Temporarily restricted	875,159	970,085
<b>Total net assets</b>	<u>2,093,391</u>	<u>2,182,631</u>
	<u>\$ 3,599,058</u>	<u>\$ 3,608,397</u>

See notes to financial statements.



## SUPPORTIVE HOUSING COMMUNITIES, INC.

### STATEMENTS OF ACTIVITIES

*For the years ended June 30, 2016 and 2015*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Contributions and grants	\$ 794,582	\$ -	\$ 794,582	\$ 688,648	\$ -	\$ 688,648
Government grants and assistance	1,063,460	-	1,063,460	764,781	-	764,781
Rental income	272,361	-	272,361	256,575	-	256,575
Investment income	363	1,714	2,077	376	1,511	1,887
Other income	5,343	-	5,343	4,345	-	4,345
Net assets released from restriction	96,640	(96,640)	-	58,676	(58,676)	-
<b>Total revenue</b>	<b>2,232,749</b>	<b>(94,926)</b>	<b>2,137,823</b>	<b>1,773,401</b>	<b>(57,165)</b>	<b>1,716,236</b>
<b>Expenses</b>						
Program services	2,020,420	-	2,020,420	1,526,389	-	1,526,389
Management and general	66,042	-	66,042	84,654	-	84,654
Fundraising	140,601	-	140,601	182,885	-	182,885
<b>Total expenses</b>	<b>2,227,063</b>	<b>-</b>	<b>2,227,063</b>	<b>1,793,928</b>	<b>-</b>	<b>1,793,928</b>
<b>Change in net assets</b>	<b>5,686</b>	<b>(94,926)</b>	<b>(89,240)</b>	<b>(20,527)</b>	<b>(57,165)</b>	<b>(77,692)</b>
Net assets, beginning of year	1,212,546	970,085	2,182,631	1,233,073	1,027,250	2,260,323
<b>Net assets, end of the year</b>	<b>\$ 1,218,232</b>	<b>\$ 875,159</b>	<b>\$ 2,093,391</b>	<b>\$ 1,212,546</b>	<b>\$ 970,085</b>	<b>\$ 2,182,631</b>

See notes to financial statements.



## SUPPORTIVE HOUSING COMMUNITIES, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>PERSONNEL</b>								
Salaries	\$ 819,113	\$ 38,288	\$ 67,419	\$ 924,820	\$ 582,401	\$ 54,531	\$ 104,981	\$ 741,913
Payroll taxes	67,027	3,133	5,517	75,677	53,110	4,973	9,573	67,656
Employee benefits	152,101	6,323	9,624	168,048	113,360	8,436	14,813	136,609
<b>Total</b>	<b>1,038,241</b>	<b>47,744</b>	<b>82,560</b>	<b>1,168,545</b>	<b>748,871</b>	<b>67,940</b>	<b>129,367</b>	<b>946,178</b>
<b>OTHER</b>								
Professional services	126,825	208	366	127,399	75,535	271	522	76,328
Repairs and maintenance	56,583	1,458	292	58,333	51,754	1,334	267	53,355
Security	56,991	1,469	294	58,754	52,884	1,363	273	54,520
Utilities	64,940	1,674	335	66,949	65,734	1,694	339	67,767
Resident support	39,970	-	-	39,970	32,956	-	-	32,956
Scattered site and rapid rehousing rent	379,226	-	-	379,226	249,305	-	-	249,305
Insurance	43,422	1,119	224	44,765	38,432	991	198	39,621
Fundraising events	-	-	44,398	44,398	-	-	40,722	40,722
Bad debt	5,958	154	31	6,143	22,657	440	88	23,185
Office and administrative costs	61,504	8,434	317	70,255	44,289	6,910	228	51,427
Branding and development	-	-	11,028	11,028	-	-	10,139	10,139
<b>Total</b>	<b>835,419</b>	<b>14,516</b>	<b>57,285</b>	<b>907,220</b>	<b>633,546</b>	<b>13,003</b>	<b>52,776</b>	<b>699,325</b>
Total expenses before depreciation and amortization	1,873,660	62,260	139,845	2,075,765	1,382,417	80,943	182,143	1,645,503
Depreciation expense	99,773	2,571	514	102,858	98,630	2,542	508	101,680
Amortization of loan discount	46,987	1,211	242	48,440	45,342	1,169	234	46,745
<b>TOTAL EXPENSES</b>	<b>\$ 2,020,420</b>	<b>\$ 66,042</b>	<b>\$ 140,601</b>	<b>\$ 2,227,063</b>	<b>\$ 1,526,389</b>	<b>\$ 84,654</b>	<b>\$ 182,885</b>	<b>\$ 1,793,928</b>

See notes to financial statements.



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## STATEMENTS OF CASH FLOWS

*For the years ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (89,240)	\$ (77,692)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	102,858	101,680
Amortization of loan discount	48,440	46,745
(Increase) decrease in:		
Receivables	(49,421)	(51,752)
Prepaid expenses and other assets	(42,708)	(28,331)
Increase (decrease) in:		
Accounts payable	3,502	(6,545)
Accrued expenses	15,070	3,728
Security deposits	1,600	700
Other liabilities	11,289	(821)
<b>Net cash provided by (used in) operating activities</b>	<u>1,390</u>	<u>(12,288)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(29,379)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(29,379)</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	(27,989)	(12,288)
<b>Cash and cash equivalents, beginning of year</b>	<u>491,791</u>	<u>504,079</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 463,802</u>	<u>\$ 491,791</u>

See notes to financial statements.





# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

*June 30, 2016 and 2015*

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### NOTE 1 – ORGANIZATION AND PURPOSE

#### Organization and purpose

Supportive Housing Communities, Inc. (the “Organization”) was incorporated under the laws of the State of North Carolina as a not-for-profit organization. The Organization is located at 2120 North Davidson Street in Charlotte, North Carolina, and exists to provide affordable housing to alleviate homelessness and human suffering. Its primary activities are housing and support services for men, women and families who are formerly homeless and live with disabilities. It operates McCreesh Place, a single room occupancy apartment community with 91 permanent housing units as well as 64 scattered site apartments in the community. Supportive services and case management are provided on-site for all residents.

#### Funding sources

Activities of the Organization are financed principally by contributions from governmental agencies, congregations, individuals, and public and private grants, as well as rents charged to residents. Construction of the Organization’s facility was financed primarily by the U.S. Department of Housing and Urban Development and interest-free loans from the City of Charlotte.

### 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. 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:

*Unrestricted net assets* - Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets 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. Such amounts are reflected as unrestricted, designated net assets.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets received with restrictions that are met in the same reporting period are included in unrestricted net assets.



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

*June 30, 2016 and 2015*

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The donors of these assets generally permit the Organization to use the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2016 or 2015.

#### Recorded donated goods and services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. The Organization recorded contributed services of \$68,446 and \$20,528, and donated goods of \$86,904 and \$93,127 for the years ended June 30, 2016 and 2015, respectively.

#### Other donated goods and services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. There were 3,956 and 3,946 contributed volunteer hours valued at \$83,076 and \$82,866 for the years ended June 30, 2016 and 2015, respectively. Also, the Organization receives clothing and similar noncash contributions, which are either given to residents or are donated to other nonprofit organizations for distribution.

#### Levels of service

As of June 30, 2016, there were 151 available units, and 145 were occupied by formerly homeless, disabled men, women and families. The Organization also has scattered site residents who live in apartment communities but receive supportive services from the Organization.

#### Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

#### Federal income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code. Generally accepted accounting procedures require an 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 taxing authorities, based on the technical merits of the position. The Organization had no uncertain tax positions as of June 30, 2016.

#### Use of estimates

The preparation of the 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.



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Reclassification

Certain amounts in prior-period financial statements have been reclassified to conform to current period's presentation.

### NOTE 3 – CASH

#### Cash and Cash Equivalents

For financial statement purposes, the Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

### NOTE 4 – INVESTMENTS

The Organization is the income beneficiary of various accounts held in trust for which the trustee has variance power over the distribution of the assets. Accordingly, no amounts are reflected in accompanying financial statements related to the value of these accounts. Income is recorded as the Organization receives payments, due to the uncertainty of the timing and amounts that will be received.

### NOTE 5 – RECEIVABLES

#### Grants

Grants receivable of \$22,771 at June 30, 2016 are presented at net realizable value and are expected to be collected in the subsequent fiscal year. Management has determined that no allowance for doubtful accounts is necessary based on a review of individual accounts, historical experience, and current economic conditions.

#### Promises to give

Unconditional promises to give are presented net of an estimated allowance for doubtful accounts of \$5,350. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. No present value discount has been provided as the amount of the discount, computed at a risk-free interest rate, would not be material to the financial statements. These pledges are expected to be collected during the year ending June 30:

2017	\$	26,861
2018		20,562
2019		<u>18,143</u>
Total Promises to Give		65,566
Deduct – Allowance for doubtful accounts		<u>5,350</u>
Net promises to give	\$	<u><u>60,216</u></u>

Of the \$82,987 of total grants and net promises to give, \$44,282 is expected to be collected during the next fiscal year with the remaining \$38,705 collected thereafter.



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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### NOTE 5 – RECEIVABLES (continued)

#### Other

Other receivables consist primarily of rent receivables from residents which are immediately due. Management has determined that no allowance for doubtful accounts is necessary based on a review of individual accounts, historical experience, and current economic conditions.

### NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment exceeding \$500 of value are recorded at cost if purchased or fair market 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 is computed using the straight-line method over the estimated useful lives of the assets, which vary from three years for computers, five to ten years for furniture and fixtures, and 40 years for buildings. Property at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 3,303,488	\$ 3,279,321
Land	140,070	140,070
Furniture and equipment	<u>270,300</u>	<u>265,088</u>
Total Cost	\$ 3,713,858	\$ 3,684,479
Less - accumulated depreciation	<u>935,793</u>	<u>832,935</u>
Property and equipment - net	<u>\$ 2,778,065</u>	<u>\$ 2,851,544</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$102,858 and \$101,680, respectively.

### NOTE 7 – NOTES PAYABLE

The Organization has three non-interest bearing notes with the City of Charlotte. All of the notes require no principal payments before maturity. The note agreements do require early payment of the original principal balance if the property located at 2120 North Davidson Street is sold or the Organization ceases to use the property for the purpose of providing housing to formerly homeless, disabled men. This is not currently contemplated by the Organization. Since the notes do not bear interest, a present value discount has been computed utilizing discount rates determined at the inception of each note. Details of these note agreements are as follows:



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

### NOTE 7 – NOTES PAYABLE (continued)

	<u>Total</u>	<u>McCreesh</u>	<u>McCreesh II</u>	
			<u>Construction</u>	<u>Operating</u>
Balance at June 30, 2016:				
Principal balance	\$ 2,000,542	\$ 1,025,542	\$ 875,000	\$ 100,000
Present value discount	<u>591,371</u>	<u>233,223</u>	<u>319,963</u>	<u>38,185</u>
Net liability	\$ <u>1,409,171</u>	\$ <u>792,319</u>	\$ <u>555,037</u>	\$ <u>61,815</u>
Other Information:				
Maturity		2023	2031	2031
Interest rate used to compute present value		4%	3%	3%

	<u>Total</u>	<u>McCreesh</u>	<u>McCreesh II</u>	
			<u>Construction</u>	<u>Operating</u>
Balance at June 30, 2015:				
Principal balance	\$ 2,000,542	\$ 1,025,542	\$ 875,000	\$ 100,000
Present value discount	<u>639,811</u>	<u>263,697</u>	<u>336,129</u>	<u>39,985</u>
Net Liability	\$ <u>1,360,731</u>	\$ <u>761,845</u>	\$ <u>538,871</u>	\$ <u>60,015</u>
Other Information:				
Maturity		2023	2031	2031
Interest rate used to compute present value		4%	3%	3%

### NOTE 8 – DESIGNATED NET ASSETS

Designated net assets at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Operating reserve	\$ 185,000	\$ 185,000
Replacement reserve	7,280	7,280
Capital reserve	<u>99,375</u>	<u>99,375</u>
Total	\$ <u>291,655</u>	\$ <u>291,655</u>



# SUPPORTIVE HOUSING COMMUNITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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### NOTE 9 – RESTRICTED NET ASSETS

#### Temporarily restricted

During 2012, the Organization received \$335,100 from the Charlotte Housing Authority that is required to be maintained in a separate bank account as an operating reserve. The Organization may utilize the funds only with permission of the Charlotte Housing Authority and must pay it back when feasible. There is no deadline on the time period in which the funds must be paid back. In the event of the disposition of the related property, which is not contemplated, the funds must be transferred to the new owner. The balance of this cash account was \$275,543 and \$322,029, at June 30, 2016, and 2015, respectively, which included accumulated interest income.

Temporarily restricted net assets as of June 30, 2016 and 2015 were restricted to be used for the following purposes:

	<u>2016</u>	<u>2015</u>
Time restrictions:		
City of Charlotte – discounted interest on notes payable	\$ 591,371	\$ 639,811
Charlotte Housing Authority - programs	275,543	322,029
Community Housing Development Corp – programs	8,245	8,245
Total	<u>\$ 875,159</u>	<u>\$ 970,085</u>

### NOTE 10 – OPERATING LEASE OBLIGATIONS

The Organization leases office space under an operating lease agreement. Future minimum payments due under the operating lease agreement are as follows:

For the year ending June 30:

2017	\$ 28,548
2018	28,548
2019	28,548
2020	28,548
2021	28,548
Thereafter	<u>142,742</u>
Total	<u>\$ 285,482</u>



# **SUPPORTIVE HOUSING COMMUNITIES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

*June 30, 2016 and 2015*

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### **NOTE 11 – CONCENTRATIONS OF RISK**

During the years ended June 30, 2016 and 2015, the Organization received 8 and 10 percent of its operating funds from Mecklenburg County, respectively. Operations could be affected if the County unexpectedly discontinued their funding of the Organization.

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2016 and 2015, the Organization's uninsured cash balances totaled \$147,640 and \$196,797, respectively.

### **NOTE 12 – RETIREMENT PLAN**

The Organization maintains a SIMPLE IRA plan that covers all eligible employees with more than two years of service. Based on contributions of two percent per employee, the Organization's contribution for the years ended June 30, 2016 and 2015 was \$15,960 and \$12,688, respectively.

### **NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated all events subsequent to the financial position date of June 30, 2016 through September 20, 2016, which is the date the financial statements were issued. During this period, no material recognizable subsequent events were identified.

