
Supportive Housing
Communities, Inc.

Charlotte, North Carolina

Audited Financial Statements

For the Years Ended June 30, 2019 and
2018



SUPPORTIVE HOUSING COMMUNITIES, INC.

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board's (FASB) accounting standards update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, as described in Note 2. The changes required by the update have been applied retrospectively to all periods presented.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, on our consideration of Supportive Housing Communities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Supportive Housing Communities, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Supportive Housing Communities, Inc.'s internal control over financial reporting and compliance

Blair, Bohle & Whitsett, PC

Charlotte, North Carolina
September 24, 2019



SUPPORTIVE HOUSING COMMUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 423,507	\$ 469,242
Grants and promises to give, net	52,838	138,527
Other receivables	292,438	282,752
Prepaid expenses and other assets	69,481	68,631
Total current assets	<u>838,264</u>	<u>959,152</u>
Property and equipment		
Property and equipment	5,138,897	5,085,049
Accumulated depreciation	<u>(1,290,535)</u>	<u>(1,156,162)</u>
Net property and equipment	<u>3,848,362</u>	<u>3,928,887</u>
Other assets		
Grants and promises to give, net	17,674	50,235
Deposits	<u>65,485</u>	<u>53,370</u>
Total other assets	<u>83,159</u>	<u>103,605</u>
	<u>\$ 4,769,785</u>	<u>\$ 4,991,644</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 38,784	\$ 56,986
Accrued expenses	63,376	70,603
Security deposits	21,022	16,237
Other current liabilities	<u>7,646</u>	<u>9,877</u>
Total current liabilities	<u>130,828</u>	<u>153,703</u>
Long-term liabilities		
Notes payable, net	<u>1,565,301</u>	<u>1,606,059</u>
Total long-term liabilities	<u>1,565,301</u>	<u>1,606,059</u>
NET ASSETS		
Without donor restrictions	2,294,557	2,399,385
With donor restrictions	<u>779,099</u>	<u>832,497</u>
Total net assets	<u>3,073,656</u>	<u>3,231,882</u>
	<u>\$ 4,769,785</u>	<u>\$ 4,991,644</u>

See notes to financial statements.



SUPPORTIVE HOUSING COMMUNITIES, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support						
Contributions and grants	\$ 1,007,262	\$ -	\$ 1,007,262	\$ 929,799	\$ -	\$ 929,799
Government grants and assistance	1,773,099	-	1,773,099	2,735,428	-	2,735,428
Rental income	467,091	-	467,091	454,364	-	454,364
Net investment income	753	513	1,266	329	1,238	1,567
Other income	4,504	-	4,504	12,073	-	12,073
Net assets released from restriction	53,911	(53,911)	-	153,259	(153,259)	-
Total revenue and other support	3,306,620	(53,398)	3,253,222	4,285,252	(152,021)	4,133,231
Expenses						
Program services	3,124,264	-	3,124,264	2,713,711	-	2,713,711
Management and general	90,170	-	90,170	98,835	-	98,835
Fundraising	197,014	-	197,014	181,936	-	181,936
Total expenses	3,411,448	-	3,411,448	2,994,482	-	2,994,482
Change in net assets	(104,828)	(53,398)	(158,226)	1,290,770	(152,021)	1,138,749
Net assets, beginning of year	2,399,385	832,497	3,231,882	1,108,615	984,518	2,093,133
Net assets, end of the year	\$ 2,294,557	\$ 779,099	\$ 3,073,656	\$ 2,399,385	\$ 832,497	\$ 3,231,882

See notes to financial statements.



SUPPORTIVE HOUSING COMMUNITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
PERSONNEL								
Salaries	\$ 1,360,815	\$ 33,867	\$ 97,276	\$ 1,491,958	\$ 1,202,567	\$ 29,929	\$ 85,964	\$ 1,318,460
Payroll taxes	108,598	2,703	7,763	119,064	94,695	2,357	6,769	103,821
Employee benefits	349,829	9,266	18,391	377,486	250,434	6,617	13,351	270,402
Total	1,819,242	45,836	123,430	1,988,508	1,547,696	38,903	106,084	1,692,683
OTHER								
Professional services	79,370	9,372	50	88,792	104,449	8,547	-	112,996
Repairs and maintenance	106,153	3,283	-	109,436	89,498	2,768	-	92,266
Security	58,906	1,822	-	60,728	64,715	2,002	-	66,717
Utilities	103,738	3,208	-	106,946	98,623	3,050	-	101,673
Resident support	28,074	-	-	28,074	36,425	-	-	36,425
Scattered site and rapid rehousing rent	550,198	-	-	550,198	455,044	-	-	455,044
Insurance	54,940	1,699	-	56,639	44,728	1,368	-	46,096
Fundraising events	-	-	59,577	59,577	-	-	52,754	52,754
Bad debt	46,550	1,440	-	47,990	12,228	378	-	12,606
Office and administrative costs	92,841	19,479	-	112,320	91,856	38,218	-	130,074
Branding and development	-	-	13,957	13,957	-	-	23,098	23,098
Total	1,120,770	40,303	73,584	1,234,657	997,566	56,331	75,852	1,129,749
Total expenses before depreciation and amortization	2,940,012	86,139	197,014	3,223,165	2,545,262	95,234	181,936	2,822,432
Depreciation expense	130,341	4,031	-	134,372	116,428	3,601	-	120,029
Amortization of loan discount	53,911	-	-	53,911	52,021	-	-	52,021
TOTAL EXPENSES	\$ 3,124,264	\$ 90,170	\$ 197,014	\$ 3,411,448	\$ 2,713,711	\$ 98,835	\$ 181,936	\$ 2,994,482

See notes to financial statements.



SUPPORTIVE HOUSING COMMUNITIES, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (158,226)	\$ 1,138,749
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	134,372	120,029
Amortization of loan discount	53,911	52,021
(Increase) decrease in:		
Receivables	108,564	(284,385)
Prepaid expenses and other assets	(12,965)	3,386
Increase (decrease) in:		
Accounts payable	(18,201)	28,646
Accrued expenses	(7,227)	16,102
Security deposits	4,785	3,850
Other liabilities	(2,231)	(1,429)
Net cash provided by operating activities	<u>102,782</u>	<u>1,076,969</u>
Cash flows from financing activities		
Proceeds from notes payable	-	800,000
Principal payments on notes payable	(94,669)	(705,331)
Net cash provided by (used in) financing activities	<u>(94,669)</u>	<u>94,669</u>
Cash flows from investing activities		
Purchases of property and equipment	(53,848)	(1,372,601)
Net cash used in investing activities	<u>(53,848)</u>	<u>(1,372,601)</u>
Net decrease in cash and cash equivalents	(45,735)	(200,963)
Cash and cash equivalents, beginning of year	469,242	670,205
Cash and cash equivalents, end of year	<u>\$ 423,507</u>	<u>\$ 469,242</u>
Other Items:		
Cash payments for interest expense	<u>\$ -</u>	<u>\$ 25,330</u>

See notes to financial statements.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND PURPOSE AND FUNDING SOURCES

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 90 permanent housing units as well as 76 scattered site apartments in the community and St. Johns Place, a 32 unit apartment complex and a seven person outreach team that meets and builds relationships with individuals on the street to connect with mental health treatment and housing. 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, the State of North Carolina, 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:

Net assets without donor restrictions - consists of amounts currently available for use in the day-to-day operation of the Organization and are not subject to donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Net assets with donor restrictions - 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 net assets without donor restrictions 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 net assets without donor restrictions.

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.

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 \$22,300 and \$31,275, and donated goods of \$193,018 and \$211,341 for the years ended June 30, 2019 and 2018, 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 3,347 and 3,909 contributed volunteer hours valued at \$82,637 and \$94,363 for the years ended June 30, 2019 and 2018, respectively. These amounts are not recorded in the financial statements. Also, the Organization receives clothing and similar noncash contributions, which are either given to residents or are donated to other nonprofit organizations for distribution.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Levels of service

As of June 30, 2019, there were 194 available units, and 173 were occupied by formerly homeless, disabled men, women and families. The Organization has fixed site and scattered site residents who live in apartment communities and 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, 2019.

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.

Reclassification

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

Change in Accounting Principles

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The adoption of FASB ASU 2016-14 resulted in significant changes to financial reporting and disclosures for not-for-profit entities. More specifically, the standard addresses the complexity of net asset classification, clarity of information regarding liquidity and availability of cash, transparency in reporting financial performance measures, consistency in reporting expenses by function and nature, and the utility of the cash flow statement. FASB ASU 2016-14 was effective for the Organization's June 30, 2019 financial statements and has been retrospectively applied to all periods presented.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 3 – 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 4 – RECEIVABLES

Grants

Grants receivable of \$35,988 and \$104,644 at June 30, 2019 and 2018, respectively, are presented at net realizable value. The balance at June 30, 2019 is 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, which had a balance of \$3,080 and \$10,000 at June 30, 2019 and 2018, respectively. 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:

2020	\$	19,930
2021		<u>17,674</u>
Total promises to give		37,604
Deduct – Allowance for doubtful accounts		<u>3,080</u>
Net promises to give	\$	<u><u>34,524</u></u>

Of the \$70,512 of total grants and net promises to give, \$52,838 is expected to be collected during the next fiscal year with the remaining \$17,674 collected thereafter.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 4 – RECEIVABLES (continued)

Other receivables

Other receivables consist primarily of unbilled rent and support services subsidies that are due but billed subsequent to year end and rent receivables from residents which are immediately due. Unbilled receivables at June 30, 2019 and 2018 totaled \$77,943 and \$90,401, respectively. 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 5 – 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 4,710,859	\$ 4,668,932
Land	140,070	140,070
Furniture and equipment	<u>287,968</u>	<u>276,047</u>
Total cost	\$ 5,138,897	\$ 5,085,049
Less - accumulated depreciation	<u>1,290,535</u>	<u>1,156,162</u>
Property and equipment - net	<u>\$ 3,848,362</u>	<u>\$ 3,928,887</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$134,372 and \$120,029, respectively.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 – 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:

	<u>Total</u>	<u>McCreesh I</u>	<u>McCreesh II</u>	
			<u>Construction</u>	<u>Operating</u>
Balance at June 30, 2019:				
Principal balance	\$ 2,000,542	\$ 1,025,542	\$ 875,000	\$ 100,000
Present value discount	<u>435,241</u>	<u>134,291</u>	<u>268,496</u>	<u>32,454</u>
Net Liability	\$ <u>1,565,301</u>	\$ <u>891,251</u>	\$ <u>606,504</u>	\$ <u>67,546</u>
Other Information:				
Maturity		2023	2031	2031
Interest rate used to compute present value		4%	3%	3%

	<u>Total</u>	<u>McCreesh I</u>	<u>McCreesh II</u>	
			<u>Construction</u>	<u>Operating</u>
Balance at June 30, 2018:				
Principal balance	\$ 2,000,542	\$ 1,025,542	\$ 875,000	\$ 100,000
Present value discount	<u>489,152</u>	<u>168,570</u>	<u>286,161</u>	<u>34,421</u>
Net Liability	\$ <u>1,511,390</u>	\$ <u>856,972</u>	\$ <u>588,839</u>	\$ <u>65,579</u>
Other Information:				
Maturity		2023	2031	2031
Interest rate used to compute present value		4%	3%	3%

Additionally, the Organization had a note payable to a third party that had a principal balance of \$94,669 at June 30, 2018. The note was repaid during year ended June 30, 2019.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 7 – DESIGNATED NET ASSETS

The governing board of the Organization has designated, from net assets without donor restrictions, net assets of \$291,655 for the following purposes as of June 30, 2019.

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

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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 \$231,406, of which all is restricted, and \$213,521, at June 30, 2019, and 2018, respectively, which included accumulated interest income.

Net assets with donor restrictions as of June 30, 2019 and 2018 were restricted to be used for the following purposes:

	<u>2019</u>	<u>2018</u>
Time restrictions:		
City of Charlotte – discounted interest on notes payable	\$ 435,241	\$ 489,152
Charlotte Housing Authority - programs	335,100	335,100
Community Housing Development Corp – programs	8,758	8,245
Total	<u>\$ 779,099</u>	<u>\$ 832,497</u>



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 9 – FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year end	\$ 921,422
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Deposits	(65,485)
Restricted by donor with purpose restrictions	(231,406)
Promises to give due after one year	(17,674)
Board designations:	
Reserves	<u>(291,655)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 315,202</u>

The Organization is substantially supported by contributions, grants, and subsidized payments for client housing. Because of the nature of the operations of the Organization, the Organization must maintain sufficient resources to meet its responsibilities to its clients. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



SUPPORTIVE HOUSING COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 10 – OPERATING LEASE OBLIGATIONS

The Organization leases office space under an operating lease agreement. Lease expense was \$34,120 and \$34,120 for the years ending June 30, 2019 and 2018, respectively. Future minimum payments due under the operating lease agreement are as follows:

For the years ending June 30:

2020	\$	32,968
2021		32,968
2022		32,968
2023		32,968
2024		32,968
Thereafter		<u>32,968</u>
Total	\$	<u>197,808</u>

NOTE 11 – CONCENTRATIONS OF RISK

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019 and 2018, the Organization's uninsured cash balances totaled \$134,286, and \$93,292, respectively.

NOTE 12 – RETIREMENT PLAN

The Organization maintained a SIMPLE IRA plan that covered all eligible employees with more than two years of service. Based on contributions of two percent per employee, the Organization's contribution for the year ended June 30, 2018 was \$24,588. Effective January 1, 2019, the Organization implemented a defined contribution plan covering all eligible employees over the age of 18, with an employer match of up to four percent. The total expense for the year ended June 30, 2019 was \$49,973.

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to the financial position date of June 30, 2019 through September 24, 2019, which is the date the financial statements were issued, and has determined that there are no subsequent events that require disclosure.



COMPLIANCE SECTION





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Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Supportive Housing Communities, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Supportive Housing Communities, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Supportive Housing Communities, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Supportive Housing Communities, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses

or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Supportive Housing Communities, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blair, Bohle & Whitsitt, PC

Charlotte, North Carolina

September 24, 2019





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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited Supportive Housing Communities, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Supportive Housing Communities, Inc.'s major federal programs for the year ended June 30, 2019. Supportive Housing Communities, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Supportive Housing Communities, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Supportive Housing Communities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Supportive Housing Communities, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Supportive Housing Communities, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Supportive Housing Communities, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Supportive Housing Communities, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Supportive Housing Communities, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blair, Bohle & Whiteitt, PC

Charlotte, North Carolina
September 24, 2019



SUPPORTIVE HOUSING COMMUNITIES, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that are
not considered to be material weaknesses? ___yes Xnone reported

Noncompliance material to financial
statements noted? ___yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that
are not considered to be material
weakness(es)? ___yes Xnone reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a) ___yes Xno

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.150	U.S. Department of Health and Human Services Projects for Assistance in Transition from Homelessness

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? ___yes Xno



SUPPORTIVE HOUSING COMMUNITIES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Summary Schedule of Prior Audit Findings

None reported.



SUPPORTIVE HOUSING COMMUNITIES, INC.

Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-through Grantor's Number	Federal Expenditures
Federal Grants:			
<u>U. S. Department of Housing and Urban Development</u>			
Direct:			
Care Program Grant	14.267	NC0242L4F051704	\$ 121,059
Care Program Grant	14.267	NC0308L4F051603	53,904
Care Program Grant	14.267	NC0308L4F051704	74,351
			<u>249,314</u>
Passed-through City of Charlotte, North Carolina:			
Home/Tenant Based Rental Assistance	14.239	2018000253	96,872
Emergency Solutions Grant	14.231	2019000729	20,053
Emergency Solutions Grant	14.231	2018000725	63,936
			<u>180,861</u>
Passed-through the N.C. Department of Health and Human Services:			
Emergency Solutions Grant	14.231	36753	14,082
Emergency Solutions Grant	14.231	38490	16,788
			<u>30,870</u>
Total U.S. Department of Housing and Urban Development			<u>461,045</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the N.C. Department of Health and Human Services:			
Projects for Assistance in Transition from Homelessness	93.150	36081	390,394
Total U.S. Department of Health and Human Services			<u>390,394</u>
Total expenditures of federal awards			<u>\$ 851,439</u>

* The accompanying notes are an integral part of this schedule.



SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Supportive Housing Communities, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Because the Schedule presents only a selected portion of the operations of Supportive Housing Communities, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Supportive Housing Communities, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting which is described in Note 1 to Supportive Housing Communities, Inc.'s financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

Supportive Housing Communities, Inc. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

