

Supportive Housing Communities, Inc.
Financial Statements and
Supplementary Information
June 30, 2020 and 2019

Supportive Housing Communities, Inc.
Table of Contents
June 30, 2020 and 2019

Independent Auditor’s Report	1 - 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 16
Compliance Section	
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 <i>Government Auditing Standards</i>	18 - 19
Independent Auditor’s Report on Compliance for Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance	20 - 21
Schedule of Findings and Questioned Costs	22 - 23
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25



Independent Auditor's Report

To the Board of Directors of
Supportive Housing Communities, Inc.

Prager Metis CPAs, PLLC

10815 SIKES PLACE
SUITE 100
CHARLOTTE, NC 28277

T 704.841.9800
F 704.841.9802

www.pragermetis.com

Report on Financial Statements

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, 2020, and the related statements of activities, functional expenses and cash flows for the year 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2019, were audited by Blair, Bohle & Whitsitt, PLLC, who combined with Prager Metis CPAs, LLC as of January 1, 2021, and whose report dated September 24, 2019, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial statements for June 30, 2019 were adjusted for an outstanding loan that was previously recorded as a grant income. Our opinion is not modified with respect to this matter.

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 April 20, 2021, 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.

Prager Metis CPAs, PLLC

Prager Metis CPAs, PLLC
Charlotte, North Carolina
April 20, 2021

Supportive Housing Communities, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019 As restated
Assets		
Current assets		
Cash and cash equivalents	\$ 539,573	\$ 429,382
Grants and promises to give, net	40,429	52,838
Other receivables	478,329	292,438
Prepaid expenses and other assets	7,935	64,304
Total current assets	<u>1,066,266</u>	<u>838,962</u>
Property and equipment		
Property and equipment	5,192,097	5,138,897
Accumulated depreciation	(1,415,777)	(1,290,535)
Net property and equipment	<u>3,776,320</u>	<u>3,848,362</u>
Other assets		
Grants and promises to give, net	-	17,674
Deposits	83,466	65,485
Total other assets	<u>83,466</u>	<u>83,159</u>
Total assets	<u><u>\$ 4,926,052</u></u>	<u><u>\$ 4,770,483</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 56,019	\$ 38,783
Accrued expenses	139,567	64,075
Security deposits	20,937	21,022
Other current liabilities	5,646	7,646
Total current liabilities	<u>222,169</u>	<u>131,526</u>
Long-term liabilities		
Notes payable, net	<u>1,971,280</u>	<u>1,901,943</u>
Total long-term liabilities	<u>1,971,280</u>	<u>1,901,943</u>
Total liabilities	<u>2,193,449</u>	<u>2,033,469</u>
Net assets		
Without donor restrictions	1,659,198	1,594,557
With donor restrictions	<u>1,073,405</u>	<u>1,142,457</u>
Total net assets	<u>2,732,603</u>	<u>2,737,014</u>
Total liabilities and net assets	<u><u>\$ 4,926,052</u></u>	<u><u>\$ 4,770,483</u></u>

The accompanying notes are an integral part of these financial statements.

Supportive Housing Communities, Inc.

Statements of Activities

For the years ended June 30, 2020 and 2019

	2020			2019 As Restated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support						
Contributions and grants	\$ 1,106,952	\$ -	\$ 1,106,952	\$ 981,942	\$ -	\$ 981,942
Government grants and assistance	2,214,321	-	2,214,321	1,798,419	-	1,798,419
Rental income	454,358	-	454,358	467,091	-	467,091
Net investment income	782	285	1,067	753	513	1,266
PPP loan forgiven	167,877	-	167,877	-	-	-
Other income	4,309	-	4,309	4,504	-	4,504
Net assets released from restriction	69,337	(69,337)	-	53,911	(53,911)	-
Total revenue and other support	<u>4,017,936</u>	<u>(69,052)</u>	<u>3,948,884</u>	<u>3,306,620</u>	<u>(53,398)</u>	<u>3,253,222</u>
Expenses						
Program services	3,633,049	-	3,633,049	3,124,265	-	3,124,265
Management and general	87,572	-	87,572	90,169	-	90,169
Fundraising	232,674	-	232,674	197,014	-	197,014
Total expenses	<u>3,953,295</u>	<u>-</u>	<u>3,953,295</u>	<u>3,411,448</u>	<u>-</u>	<u>3,411,448</u>
Change in net assets	<u>64,641</u>	<u>(69,052)</u>	<u>(4,411)</u>	<u>(104,828)</u>	<u>(53,398)</u>	<u>(158,226)</u>
Net assets, beginning of year, as originally reported	1,594,557	1,142,457	2,737,014	2,399,385	832,497	3,231,882
Prior period adjustment	-	-	-	(700,000)	363,358	(336,642)
Net assets, beginning of year, as restated	1,594,557	1,142,457	2,737,014	1,699,385	1,195,855	2,895,240
Net assets, end of the year	<u>\$ 1,659,198</u>	<u>\$ 1,073,405</u>	<u>\$ 2,732,603</u>	<u>\$ 1,594,557</u>	<u>\$ 1,142,457</u>	<u>\$ 2,737,014</u>

The accompanying notes are an integral part of these financial statements.

Supportive Housing Communities, Inc.

Statements of Functional Expenses

For the years ended June 30, 2020 and 2019

	2020				2019 As Restated			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel								
Salaries	\$ 1,700,870	\$ 42,331	\$ 121,584	\$ 1,864,785	\$ 1,360,815	\$ 33,867	\$ 97,276	\$ 1,491,958
Payroll taxes	129,739	3,229	9,274	142,242	108,598	2,703	7,763	119,064
Employee benefits	394,036	10,361	21,606	426,003	349,829	9,265	18,391	377,485
Total	<u>2,224,645</u>	<u>55,921</u>	<u>152,464</u>	<u>2,433,030</u>	<u>1,819,242</u>	<u>45,835</u>	<u>123,430</u>	<u>1,988,507</u>
Other								
Professional services	105,504	9,894	-	115,398	79,370	9,372	50	88,792
Repairs and maintenance	87,147	2,695	-	89,842	106,153	3,283	-	109,436
Security	75,915	2,348	-	78,263	58,906	1,822	-	60,728
Utilities	114,214	3,532	-	117,746	103,738	3,208	-	106,946
Resident support	42,029	-	-	42,029	28,074	-	-	28,074
Scattered site and rapid rehousing rent	624,511	-	-	624,511	550,198	-	-	550,198
Insurance	35,625	1,102	-	36,727	54,940	1,699	-	56,639
Fundraising events	-	-	68,878	68,878	-	-	59,577	59,577
Bad debt	22,020	681	-	22,701	46,550	1,440	-	47,990
Office and administrative costs	110,616	7,642	-	118,258	92,842	19,479	-	112,321
Branding and development	-	-	11,332	11,332	-	-	13,957	13,957
Total	<u>1,217,581</u>	<u>27,894</u>	<u>80,210</u>	<u>1,325,685</u>	<u>1,120,771</u>	<u>40,303</u>	<u>73,584</u>	<u>1,234,658</u>
Total expenses before depreciation and amortization	3,442,226	83,815	232,674	3,758,715	2,940,013	86,138	197,014	3,223,165
Depreciation expense	121,486	3,757	-	125,243	130,341	4,031	-	134,372
Amortization of loan discount	69,337	-	-	69,337	53,911	-	-	53,911
Total expenses	<u>\$ 3,633,049</u>	<u>\$ 87,572</u>	<u>\$ 232,674</u>	<u>\$ 3,953,295</u>	<u>\$ 3,124,265</u>	<u>\$ 90,169</u>	<u>\$ 197,014</u>	<u>\$ 3,411,448</u>

The accompanying notes are an integral part of these financial statements.

Supportive Housing Communities, Inc.

Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (4,411)	\$ (158,226)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	125,243	134,372
Amortization of loan discount	69,337	53,911
(Increase) decrease in:		
Receivables	(155,808)	108,564
Prepaid expenses and other assets	38,388	(12,965)
Increase (decrease) in:		
Accounts payable	17,235	(18,201)
Accrued expenses	75,492	(7,227)
Security deposits	(85)	4,785
Other liabilities	(2,000)	(2,231)
Net cash provided by operating activities	<u>163,391</u>	<u>102,782</u>
Cash flows from financing activities		
Principal payments on notes payable	-	(94,669)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(94,669)</u>
Cash flows from investing activities		
Purchases of property and equipment	(53,200)	(53,848)
Net cash used in investing activities	<u>(53,200)</u>	<u>(53,848)</u>
Net increase (decrease) in cash and cash equivalents	110,191	(45,735)
Cash and cash equivalents, beginning of year	<u>429,382</u>	<u>475,117</u>
Cash and cash equivalents, end of year	<u>\$ 539,573</u>	<u>\$ 429,382</u>

The accompanying notes are an integral part of these financial statements.

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019

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, net assets with donor restrictions 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 \$0 and \$22,300, and donated goods of \$216,563 and \$193,018 for the years ended June 30, 2020 and 2019, 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 3,186 and 3,347 contributed volunteer hours valued at \$81,020 and \$82,637 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (continued)

Levels of service

As of June 30, 2020, there were 223 available units, and 185 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 principles 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, 2020.

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, 2020 and 2019

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 \$25,429 and \$35,988 at June 30, 2020 and 2019, respectively, are presented at net realizable value. The balance at June 30, 2020 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 were \$15,000 and \$37,604 at June 30, 2020, respectively and are presented net of an estimated allowance for doubtful accounts, which had a balance of \$0 and \$3,080 at June 30, 2020 and 2019, respectively. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions.

Of the \$40,429 of total grants and net promises to give, all are expected to be collected during the next fiscal year.

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. Management has determined that no allowance for doubtful accounts is necessary based on a review of individual accounts, historical experience, and current economic conditions.

The following is a summary of other receivables:

	June 30,	
	2020	2019
Resident and subsidy accounts, net	\$ 343,119	\$ 206,555
Unbilled rent subsidies	121,840	77,943
Refundable sales tax	7,784	5,865
Other receivables	5,586	2,075
Total other receivables	<u>\$ 478,329</u>	<u>\$ 292,438</u>

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 consisted of the following:

	2020	2019
Buildings and improvements	<u>\$ 4,730,718</u>	<u>\$ 4,710,859</u>
Land	140,070	140,070
Furniture and equipment	<u>321,309</u>	<u>287,968</u>
Total cost	5,192,097	5,138,897
Less - accumulated depreciation	<u>1,415,777</u>	<u>1,290,535</u>
Property and equipment - net	<u>\$ 3,776,320</u>	<u>\$ 3,848,362</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$125,243 and \$134,372, respectively.

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 6 Notes Payable

The Organization has three non-interest bearing notes with the City of Charlotte and one non-interest bearing note with the North Carolina Housing Finance Agency. 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 individuals. 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:

Balance at June 30, 2020:	Total	McCreesh I	McCreesh II		NCHFA
			Construction	Operating	
Principal balance	\$ 2,700,542	\$ 1,025,542	\$ 875,000	\$ 100,000	\$ 700,000
Present value discount	729,262	98,641	250,301	30,428	349,892
Net liability	<u>\$ 1,971,280</u>	<u>\$ 926,901</u>	<u>\$ 624,699</u>	<u>\$ 69,572</u>	<u>\$ 350,108</u>
Other Information					
Maturity		2023	2031	2031	2038
Interest rate used to compute present value		4%	3%	3%	4%

Balance at June 30, 2019:	Total	McCreesh I	McCreesh II		NCHFA
			Construction	Operating	
Principal balance	\$ 2,700,542	\$ 1,025,542	\$ 875,000	\$ 100,000	\$ 700,000
Present value discount	798,599	134,291	268,496	32,454	363,358
Net liability	<u>\$ 1,901,943</u>	<u>\$ 891,251</u>	<u>\$ 606,504</u>	<u>\$ 67,546</u>	<u>\$ 336,642</u>
Other Information					
Maturity		2023	2031	2031	2038
Interest rate used to compute present value		4%	3%	3%	4%

Note 7 PPP Loan

On April 27, 2020, the Organization was granted a loan from a bank in the amount of \$167,877 pursuant to the Paycheck Protection Program (“PPP”) of the CARES Act, which was enacted on March 27, 2020. The loan, which is in the form of a note, matures on April 27, 2022 and bears interest at a rate of 1% per annum, payable in monthly installments of principal and interest beginning on November 27, 2020. The Paycheck Protection Flexibility Act of 2020, P.L. 116-142, extended the repayment period up to an additional four months. Funds from the loan may only be used for specific costs. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On December 15, 2020, the Organization was notified by the lending bank that the loan was forgiven in its entirety by the Small Business Administration.

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 Designated Net Assets

The governing board of the Organization has designated, from net assets without donor restrictions, net assets of \$261,655 for the following purposes as of June 30, 2020.

Replacement reserve	\$	7,280
Operating reserves		155,000
Capital reserves		99,375
	\$	<u>261,655</u>

Note 9 – 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 \$108,368, of which all is restricted, and \$231,406, at June 30, 2020, and 2019, respectively, which included accumulated interest income.

Net assets with donor restrictions as of June 30, 2020 and 2019 were restricted to be used for the following purposes:

	<u>2020</u>	<u>2019</u> <u>(Restated)</u>
Time restrictions:		
Discounted interest on notes payable	\$ 729,262	\$ 435,241
Charlotte Housing Authority - programs	335,898	698,458
Community Housing Development Corp – programs	8,245	8,758
Total	<u>\$ 1,073,405</u>	<u>\$ 1,142,457</u>

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 10 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	\$ 1,149,732
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Deposits	(83,466)
Restricted by donor with purpose restrictions	(108,368)
Board designations:	
Reserves	<u>(261,655)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 696,243</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.

Note 11 Prior Period Adjustment

Management of the Organization became aware during the year ended June 30, 2020 that a note payable to the North Carolina Housing Finance Agency obtained during the year ended June 30, 2018 had been reported in the financial statements as a grant. As a result, notes payable were understated by \$336,642, net assets without donor restrictions were overstated by \$700,000 and net assets with donor restrictions were understated by \$363,358 at June 30, 2019.

Supportive Housing Communities, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 12 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, 2020 and 2019, respectively. Future minimum payments due under the operating lease agreement are as follows:

For the years ending June 30:

2021	\$	32,968
2022		32,968
2023		32,968
2024		32,968
Thereafter		<u>32,968</u>
Total	\$	<u>164,840</u>

Note 13 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, 2020 and 2019, the Organization's uninsured cash balances totaled \$208,639, and \$134,286, respectively.

Note 14 Retirement Plan

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 was \$62,469 and 48,973 for the years ending June 30, 2020, and 2019, respectively.

Note 15 Contingencies

The outbreak of COVID-19 and related global responses to the pandemic have caused material disruptions to businesses around the world, leading to an economic slowdown in 2020. While governments and others have reacted with monetary interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and other responses, remains unclear at this time.

Note 16 Subsequent Events

The Organization has evaluated all events subsequent to the financial position date of June 30, 2020 through April 20, 2021, which is the date the financial statements were issued, and has determined that there are no subsequent events that require disclosure except as disclosed in the financial statements.

Compliance Section



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

Prager Metis CPAs, PLLC

10815 SIKES PLACE
SUITE 100
CHARLOTTE, NC 28277

T 704.841.9800
F 704.841.9802

www.pragermetis.com

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, 2020, 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 April 20, 2021.

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. We did identify a certain deficiency in internal control, described in the accompanying



schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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*.

Supportive Housing Communities, Inc.'s Response to Findings

Supportive Housing Communities, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Supportive Housing Communities, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Prager Metis CPAs, PLLC

Prager Metis CPAs, PLLC
Charlotte, North Carolina
April 20, 2021



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.

Prager Metis CPAs, PLLC

10815 SIKES PLACE
SUITE 100
CHARLOTTE, NC 28277
T 704.841.9800
F 704.841.9802
www.pragermetis.com

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, 2020. 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, 2020.

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.

Prager Metis CPAs, PLLC

Prager Metis CPAs, LLC
Charlotte, North Carolina
April 20, 2021

Supportive Housing Communities, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none 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 X no

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? X yes no

Supportive Housing Communities, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2020-001 Failure to record all outstanding debt

Criteria: All outstanding debt should be properly recorded in the financial statements of the entity.

Condition: Outstanding debt of \$700,000, less discounts, was not recorded in prior years.

Effect: Liabilities of the entity were understated in prior years and net assets were overstated in prior years.

Cause: The entity believed the unrecorded debt was a forgivable loan and was incorrectly recorded as grant income.

Recommendation: All outstanding debt of the entity should be recorded.

Views of responsible officials and planned corrective actions: The organization agrees with this finding and has now recorded all outstanding debt of the entity.

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, 2020

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	NC0308L4F051704	\$ 23,260
Care Program Grant	14.267	NC0308L4F051805	263,567
Care Program Grant	14.267	NC0308L4F051906	50,204
			<u>337,031</u>
Passed-through City of Charlotte, North Carolina:			
Home/Tenant Based Rental Assistance	14.239	2020000615	122,234
Emergency Solutions Grant	14.231	2019000729	45,968
			<u>168,202</u>
Passed-through the N.C. Department of Health and Human Services:			
Emergency Solutions Grant	14.231	39866	25,686
Emergency Solutions Grant	14.231	38490	24,423
			<u>50,109</u>
Total U.S. Department of Housing and Urban Development			<u>555,342</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	39595	451,455
Total U.S. Department of Health and Human Services			<u>451,455</u>
Total expenditures of federal awards			<u>\$ 1,006,797</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, 2020

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, 2020. 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.