

SUPPORTIVE HOUSING COMMUNITIES, INC.

FINANCIAL STATEMENT

JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

SUPPORTIVE HOUSING COMMUNITIES, INC.
TABLE OF CONTENTS
JUNE 30, 2022

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
STATEMENT OF FINANCIAL POSITION	3
NOTES TO FINANCIAL STATEMENT	4



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statement

Opinion

We have audited the statement of financial position of Supportive Housing Communities, Inc. (a nonprofit organization) as of June 30, 2022 and the related notes (the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of Supportive Housing Communities, Inc. as of June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Supportive Housing Communities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Supportive Housing Communities, Inc.'s ability to continue as a going concern for one year after the date the financial statement is available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Supportive Housing Communities, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Supportive Housing Communities, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Charlotte, North Carolina
December 5, 2023

SUPPORTIVE HOUSING COMMUNITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 771,777
Grants and Promises to Give, Net	17,000
Other Receivables	182,112
Prepaid Expenses and Other Assets	831
Total Current Assets	971,720

PROPERTY AND EQUIPMENT

Property and Equipment	5,365,978
Accumulated Depreciation	(1,691,751)
Net Property and Equipment	3,674,227

Total Assets	\$ 4,645,947
--------------	--------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 126,158
Accrued Expenses	115,731
Security Deposits	24,420
Other Current Liabilities	9,105
Total Current Liabilities	275,414

LONG-TERM LIABILITIES

Notes Payable, Net	2,117,737
Total Long-Term Liabilities	2,117,737

Total Liabilities	2,393,151
-------------------	-----------

NET ASSETS

Without Donor Restrictions:	1,334,119
With Donor Restrictions:	918,677
Total Net Assets	2,252,796

Total Liabilities and Net Assets	\$ 4,645,947
----------------------------------	--------------

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 1 NATURE OF ORGANIZATION, 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 nonprofit 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 158 scattered site apartments in the community and St. Johns Place, a 31-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 statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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. Net assets may be designated by the board of directors for various purposes.

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. Additionally, net assets with donor restrictions include net assets that require that they be maintained permanently.

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Receivables

Receivables include receivables generated through program services provided, unconditional pledges, and amounts due under various grants. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates.

Property and Equipment

Purchased property and equipment with a value of \$500 or more are carried at cost and donated assets are recorded at their fair market value at the date of the gift. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are not capitalized. Accumulated depreciation is based on depreciation computed using the straight-line method over the estimated useful lives of the assets, which vary from three years for computers, 5 to 10 years for furniture and fixtures, and 40 years for buildings. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in current operations.

Levels of Service

As of June 30, 2022, there were 248 available units, and 205 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.

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. GAAP requires 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 position as of June 30, 2022.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. Accordingly, no liability for income taxes is required in the financial statement.

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with GAAP 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. Actual results could differ from those estimates.

Recent Accounting Pronouncement Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Organization for the year ended June 30, 2023. The Organization is currently evaluating the effect that the standard will have on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2023, the date the financial statements were available to be issued.

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.

NOTE 4 RECEIVABLES

Promises to Give

Unconditional promises to give were approximately \$17,000 at June 30, 2022. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Management has determined that no allowance was necessary for the year ended June 30, 2022. All amounts are expected to be collected within one year and therefore, no net present value discount considered necessary at June 30, 2022.

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.

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 4 RECEIVABLES (CONTINUED)

Other Receivables (Continued)

The following is a summary of other receivables at June 30:

Resident and Subsidy Accounts, Net	\$ 165,674
Refundable Sales Tax	16,438
Total	<u>\$ 182,112</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

Buildings and Improvements	\$ 4,872,767
Land	140,070
Furniture and Equipment	353,141
Total Cost	<u>5,365,978</u>
Less: Accumulated Depreciation	<u>(1,691,751)</u>
Property and Equipment, Net	<u>\$ 3,674,227</u>

NOTE 6 LINE OF CREDIT

On August 13, 2021, the Organization entered into a \$125,000 line of credit agreement with a bank. The revolving line of credit is collateralized by inventory, accounts receivable, and property and equipment of the Organization. The line of credit bears interest at the greater of 5% or the prime rate of the lender plus 2.85% (7.1% at June 30, 2022). Monthly interest only payments are required, and the unpaid principal and accrued interest are due on the maturity date of October 10, 2021. In October 2021, the line of credit was renewed through October 10, 2022. In October 2022, the line of credit was renewed through October 10, 2023. There was no amount outstanding on the revolving line of credit at June 30, 2022.

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 7 NOTES PAYABLE, NET

The Organization has three noninterest bearing notes with the City of Charlotte and one noninterest bearing note with the North Carolina Housing Finance Agency (NCHFA). 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:

	Total	McCreesh I	McCreesh II		NCHFA
			Construction	Operating	
Balance at June 30, 2022					
Principal Balance	\$ 2,700,542	\$ 1,025,542	\$ 875,000	\$ 100,000	\$ 700,000
Present Value Discount	(582,805)	(23,033)	(212,257)	(26,191)	(321,324)
Net Liability	<u>\$ 2,117,737</u>	<u>\$ 1,002,509</u>	<u>\$ 662,743</u>	<u>\$ 73,809</u>	<u>\$ 378,676</u>
Other Information					
Maturity		2023	2031	2031	2038
Interest Rate Used to Compute Present Value		4%	3%	3%	4%

Future maturities of notes payable consist of the following:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	2,700,542
Total	<u>\$ 2,700,542</u>

In August 2023, the City of Charlotte McCreesh I note, which was scheduled to mature in 2023 was extended 20 years to 2043.

NOTE 8 DESIGNATED NET ASSETS

The governing board of the Organization has designated, from net assets without donor restrictions, net assets of approximately \$292,000 for the following purposes as of June 30, 2022:

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

SUPPORTIVE HOUSING COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

During 2012, the Organization received approximately \$335,000 from the Charlotte Housing Authority that is required to be maintained in separate bank accounts 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 these cash accounts was approximately \$120,000, of which all is restricted, at June 30, 2022, which includes accumulated interest income.

Net assets with donor restrictions as of June 30, 2022 was restricted to be used for the following purposes:

Time Restrictions:	
Discounted Interest on Notes Payable	\$ 582,805
Charlotte Housing Authority - Programs	<u>335,872</u>
Total	<u><u>\$ 918,677</u></u>

NOTE 10 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

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

Financial Assets at Year-End	
Cash and Cash Equivalents	\$ 771,777
Grants and Promises to Give, Net	17,000
Other Receivables	<u>182,112</u>
Total Financial Assets at Year-End	970,889
Less: Those Unavailable for General Expenditures	
Within One Year, Due to:	
Restricted Cash - Charlotte Housing Authority	(119,818)
Board Designations Reserves	<u>(291,655)</u>
Financial Assets Available to Meet Cash Needs	
for General Expenditures Within One Year	<u><u>\$ 559,416</u></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 STATEMENT
JUNE 30, 2022

NOTE 11 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 103,267
2024	103,267
2025	103,267
2026	103,267
2027	524,940
Total	<u>\$ 938,008</u>

NOTE 12 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, 2022, the Organization's uninsured cash balances totaled approximately \$383,000.

NOTE 13 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 4%. There was no liability related to this plan as of June 30, 2022.

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to the statement of financial position date of December 5, 2023, which is the date the financial statements were available to be issued.