SUPPORTIVE HOUSING COMMUNITIES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

SUPPORTIVE HOUSING COMMUNITIES, INC.
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Supportive Housing Communities, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

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 Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter Regarding Correction of Error

As discussed in Note 15 to the financial statements, management identified that previously reported other receivables and revenues were understated causing previously reported net assets without donor restrictions and ending total net assets to be understated by approximately $192,000. Accordingly, amounts reported as net assets without donor restrictions and total net assets have been restated as of June 30, 2023.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 statements.

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 statements, 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 statements.
- 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 the Organization'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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Supportive Housing Communities, Inc.

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

CliftonLarsonAllen LLP

Charlotte, North Carolina
March 27, 2024

SUPPORTIVE HOUSING COMMUNITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 308,905
Other Receivables	497,625
Prepaid Expenses and Other Assets	8,260
Total Current Assets	814,790
RIGHT-OF-USE ASSET	1,602,200
PROPERTY AND EQUPMENT	
Property and Equipment	5,131,280
Accumulated Depreciation	(1,540,191)
Net Property and Equipment	3,591,089
Total Assets	$ 6,008,079

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 23,971
Accrued Expenses	115,261
Security Deposits	23,545
Line of Credit Payable	45,000
Right-of-Use Liability	71,425
Other Current Liabilities	14,481
Total Current Liabilities	293,683
LONG-TERM LIABILITIES	
Right-of-Use Liabilities, Net of Current Portion	1,533,468
Notes Payable, Net of Current Portion	2,178,013
Total Long-Term Liabilities	3,711,481
Total Liabilities	4,005,164
NET ASSETS	
Without Donor Restrictions	1,119,487
With Donor Restrictions	883,428
Total Net Assets	2,002,915
Total Liabilities and Net Assets	$ 6,008,079

See accompanying Notes to Financial Statements.

SUPPORTIVE HOUSING COMMUNITIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions and Grants	$ 734,023	$ 25,000	$ 759,023
Special Events (Net of $25,835 Direct Special Events Costs)	71,745	-	71,745
Government Grants and Assistance	2,079,714	-	2,079,714
Rental Income	766,864	-	766,864
Contributions of Nonfinancial Assets	371,442	-	371,442
Other Income	37,162	-	37,162
Loss on Disposal of Property and Equipment	(62,357)		(62,357)
Net Assets Released from Restrictions	60,249	(60,249)	-
Total Revenue	4,058,842	(35,249)	4,023,593
EXPENSES			
Program Services	3,420,318	-	3,420,318
Management and General	563,141	-	563,141
Fundraising	482,351	-	482,351
Total Expenses	4,465,810	-	4,465,810
CHANGE IN NET ASSETS	(406,968)	(35,249)	(442,217)
Net Assets - Beginning of Year, As Previously Reported	1,334,119	918,677	2,252,796
Restatement - Note 15	192,336	-	192,336
Net Assets - Beginning of Year, As Restated	1,526,455	918,677	2,445,132
NET ASSETS - END OF YEAR	$ 1,119,487	$ 883,428	$ 2,002,915

See accompanying Notes to Financial Statements.

SUPPORTIVE HOUSING COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
PERSONNEL				
Salaries	$ 1,004,343	$ 250,280	$ 372,669	$ 1,627,292
Payroll Taxes	81,425	23,262	26,985	131,672
Employee Benefits	159,537	45,640	54,843	260,020
Total Personnel	1,245,305	319,182	454,497	2,018,984
OTHER				
Security	9,188	-	-	9,188
Utilities	195,216	-	-	195,216
Repairs and Maintenance	130,071	-	64	130,135
Resident Support	299,509	-	-	299,509
Fundraising	-	-	25,835	25,835
Branding and Development	11,022	161	972	12,155
Office and Administrative Costs	192,884	194,363	26,122	413,369
Insurance	-	39,114	-	39,114
Bad Debt	2,929	-	-	2,929
Interest Expense	-	3,242	-	3,242
Other Expenses	11,294	-	696	11,990
Scattered Site and Rapid Rehousing Rent	1,124,420	-	-	1,124,420
Total Other	1,976,533	236,880	53,689	2,267,102
Total Expenses Before Depreciation and Amortization	3,221,838	556,062	508,186	4,286,086
Depreciation Expense	138,204	7,079	-	145,283
Amortization of Loan Discount	60,276	-	-	60,276
Total Expenses	3,420,318	563,141	508,186	4,491,645
Less: Direct Special Event Costs Deducted from Revenue	-	-	(25,835)	(25,835)
Net Expenses	$ 3,420,318	$ 563,141	$ 482,351	$ 4,465,810

See accompanying Notes to Financial Statements.

SUPPORTIVE HOUSING COMMUNITIES, INC.
STATEMENT OF CASH FOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(442,217)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided (Used) by Operating Activities:		
Depreciation		145,283
Amortization of Loan Discount		60,276
Donated Property and Equipment		(80,403)
Loss on Disposal of Property and Equipment		62,357
Bad Debt Expense		2,929
(Increase) Decrease in Operating Assets:		
Receivables		17,000
Other Receivables		(126,106)
Prepaid Expenses and Other Assets		(7,429)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		(102,187)
Accrued Expenses		(470)
Security Deposits		(875)
Lease Liability		2,693
Other Liabilities		5,376
Net Cash Used by Operating Activities		(463,773)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment		(44,099)
Net Cash Used by Investing Activities		(44,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Line of Credit		250,000
Repayments on Line of Credit		(205,000)
Net Cash Provided by Financing Activities		45,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(462,872)
Cash and Cash Equivalents - Beginning of Year		771,777
CASH AND EQUIVALENTS - END OF YEAR	$	308,905
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION		
Cash Paid for Interest Expense	$	3,242

See accompanying Notes to Financial Statements.

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 statements have 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 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 in perpetuity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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.

Contributions and Support

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met. No government grants in the accompanying statement of activities for the year ended June 30, 2023 are considered exchange transactions.

A portion of the Organization’s revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants that have not been recognized of approximately $450,000 for the year ended June 30, 2023, because qualifying expenditures have not yet been incurred. No advance payments have been received.

Special Events

The Organization recognizes revenue from special events in accordance with Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities – Revenue Recognition*. Revenue from special events is recognized as contributions or exchange transactions depending on the nature of the event and the benefits received by the donor. Contributions are recognized when the donor receives no direct benefit in exchange for their donation, while exchange transactions are recognized when the donor receives goods or services in exchange for their donation. We have bifurcated the revenue from our special events between contributions and exchange transactions based on the fair value of the benefits received by the donor. The fair value of the benefits received is determined based on the estimated fair value of similar goods or services that are sold separately in the market. At June 30, 2023 the estimated fair value of benefits received was approximately $21,000.

Contributed Nonfinancial Assets

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. The Organization recorded no contributed services.

Donated equipment or materials are included in support at their estimated fair value at the time of receipt. These estimates are based on values that would be expended for purchasing similar products. The estimated fair value of donated services is based on comparable rental rates in the local real estate market.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets (Continued)

The Organization recorded donated goods of approximately $240,000, donated property and equipment of approximately $80,000, and donated use of facilities of approximately $51,000 for the year ended June 30, 2023, respectively and are included as contributions of nonfinancial assets on the statement of activities. These contributed nonfinancial assets were utilized in their entirety by the Organization and were not contributed with any donor imposed restrictions.

In addition, volunteers, including officers and directors of the Organization, donate their time in program services and/or fundraising. No amount has been reflected in the financial statements for these services as they generally do not meet the criteria for revenue recognition.

Levels of Service

As of June 30, 2023, there were 229 available units, and 200 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.

Rental Income

A portion of the Organization's revenue is from fee-for-service arrangements. Managements recognized revenue from fee-for-service arrangements as services are provided at a point in time. Fees collected in advance of the completion of these services are reported as unearned revenue on the statements of financial position. Revenue is recorded at the transaction price, which does not include any price concessions.

Functional Allocation of Expenses

The costs of providing the various program activities have been summarized on a functional basis. Expenses, such as salaries, payroll taxes, and benefits, 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 (IRC) and is not a private foundation as defined by Section 509(a) of the IRC. 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, 2023.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *2016-02, Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected not to adopt the package of practical expedients available in the year of adoption. The Organization has elected not to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Organization's accounting for finance leases remained substantially unchanged.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2024, 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. Income is recorded as the Organization receives payments, due to the uncertainty of the timing and amounts that will be received.

NOTE 4 RECEIVABLES

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 at June 30, 2023 and 2022:

	2023	2022
Resident and Subsidy Accounts, Net	$ 497,442	$ 358,010
Refundable Sales Tax	183	16,438
Total	$ 497,625	$ 374,448

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023:

Buildings and Improvements	$ 4,921,885
Land	140,070
Furniture and Equipment	69,325
Total Cost	5,131,280
Less: Accumulated Depreciation	(1,540,191)
Property and Equipment, Net	$ 3,591,089

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 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%. Monthly interest only payments are required, and the unpaid principal and accrued interest are due on the maturity date of October 10, 2021. On October 10, 2021, the line of credit was renewed through October 10, 2022. In October 2022, the line of credit was renewed through October 10, 2023 for an amount up to $380,000 and interest at the greater of 5% or the prime rate (8.25% at June 30, 2023). The balance outstanding on the revolving line of credit at June 30, 2023 was $45,000. Subsequent to year end, in February 2024, the Organization entered into a new line of credit with a different lender in the amount of $380,000 which matures in February 2025.

NOTE 7 NOTES PAYABLE

The Organization has three noninterest bearing notes with the City of Charlotte and one noninterest 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:

	Total	McCreesh I	McCreesh II Construction	McCreesh II Operating	NCHFA
Balance - End of Year					
Principal Balance	$ 2,700,542	$ 1,025,542	$ 875,000	$ 100,000	$ 700,000
Present Value Discount	(522,529)	-	(192,375)	(23,977)	(306,177)
Net Liability	$ 2,178,013	$ 1,025,542	$ 682,625	$ 76,023	$ 393,823
Other Information					
Maturity		2043	2031	2031	2038
Interest Rate Used to Compute Present Value		4%	3%	3%	4%

Future maturities of notes payable consist of the following:

Year Ending June 30,	Amount
2024	$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	2,178,013
Total	$ 2,178,013

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, 2023:

Replacement Reserve	$ 7,280
Operating Reserves	185,000
Capital Reserves	99,375
Designated Net Assets	$ 291,655

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 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 $122,000, of which all is restricted, at June 30, 2023, which includes accumulated interest income.

Net assets with donor restrictions as of June 30, 2023 was restricted to be used for the following purposes:

Time Restrictions	
Discounted Interest on Notes Payable	$ 522,529
Grants from Organizations	25,000
Charlotte Housing Authority - Programs	335,899
Total	$ 883,428

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	$ 308,905
Other Receivables	497,625
Total Financial Assets at Year-End	806,530
Less: Those Unavailable for General Expenditures Within One Year, Due to:	
Security Deposits	(23,545)
Restricted Cash - Charlotte Housing Authority	(121,800)
Board Designations - Reserves	(291,655)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 369,530

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 LEASES

The Organization has determined that it has one operating lease and one financing lease that is material to the financial statements, which are included as ROU asset and ROU liability in the accompanying statements of financial position. ROU asset represents the Organization's right to use leased assets over the term of the lease. Lease liability represents the Organization's contractual obligation to make lease payments and are measured at the present value of future lease payments over the lease term.

As of June 30, 2023, maturities of lease liability for the leases are as follows:

Year Ending June 30,	Operating	Financing	Total
2024	$ 102,938	$ 8,638	$ 111,576
2025	103,267	8,638	111,905
2026	103,267	8,638	111,905
2027	103,267	8,638	111,905
2028	103,267	-	103,267
Thereafter	1,480,160	-	1,480,160
Total Undiscounted Lease Payments	1,996,166	34,552	2,030,718
Less: Imputed Interest	(425,204)	(621)	(425,825)
Total Lease Liability	$ 1,570,962	$ 33,931	$ 1,604,893

The individual lease contracts do not provide information about the discount rate implicit in the lease. The Organization uses the weighted-average discount rate of 0.93% and 2.60% for the financing lease and operating lease, respectively, to determine the present value of the future lease payments. Lease term may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Total lease expense for the year ended June 30, 2023 was approximately $97,000.

The lease liability will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluations of any new facts and circumstances. As of June 30, 2023, the weighted average lease term remaining that is included in the maturities of the ROU liabilities is 3.9 years and 19.3 years for the financing lease and operating lease, respectively. The weighted average discount rate used was 0.93% and 2.60% for the financing lease and operating lease, respectively, as of June 30, 2023. The total cash paid for leases during the year ended June 30, 2023 was approximately $94,000.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

NOTE 12 CONCENTRATIONS OF RISK

Cash held in bank accounts are insured up to $500,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, the Organization has had no uninsured cash balances.

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%. The Organization’s contributions to the plan for the year ended June 30, 2023 was approximately $49,000.

NOTE 14 CONTINGENCIES

In April 2020, the Organization entered into an unsecured promissory note with a lender in the amount of approximately $168,000 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the U.S. Small Business Administration (SBA). In a prior year, the SBA had formally forgiven the Organization’s obligation under the note and was recorded as forgiveness of debt in that year. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of the liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any new review will not have a material adverse impact on the Organization’s financial position.

NOTE 15 RESTATEMENT

During the year ended June 30, 2023, management determined that grant revenue related to expenses incurred in 2022 of approximately $111,000 was recorded as of June 30, 2023, causing grant revenue to be overstated. Receivables were understated by approximately $81,000 which led to net assets at June 30, 2022 being understated by approximately $192,000.