

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**SUPPORTIVE HOUSING COMMUNITIES, INC.  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2024 AND 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>4</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>5</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>10</b>



## 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 statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. 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 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 and *Government Auditing Standards*, 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 and *Government Auditing Standards*, we:

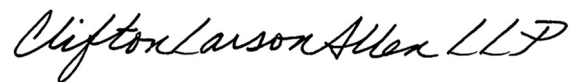
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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.

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.

Board of Directors  
Supportive Housing Communities, Inc.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of the Organization'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 result of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 22, 2024

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**YEAR ENDED JUNE 30, 2024**

<b>ASSETS</b>	2024	2023
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 487,160	\$ 308,905
Contribution Receivables, Net	106,164	-
Donated Facilities Receivable	56,179	-
Donated Interest Receivable, Net	20,432	-
Other Receivables	374,457	497,625
Prepaid Expenses and Other Assets	8,965	8,260
Total Current Assets	1,053,357	814,790
<b>CONTRIBUTION RECEIVABLES, NET OF CURRENT PORTION</b>	75,000	-
<b>DONATED INTEREST RECEIVABLE, NET OF CURRENT PORTION</b>	558,340	-
<b>RIGHT-OF-USE ASSET</b>	1,347,651	1,602,200
<b>PROPERTY AND EQUIPMENT</b>		
Property and Equipment	5,197,069	5,131,280
Accumulated Depreciation	(1,683,436)	(1,540,191)
Net Property and Equipment	3,513,633	3,591,089
Total Assets	\$ 6,547,981	\$ 6,008,079
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 57,183	\$ 23,971
Accrued Expenses	111,078	115,261
Security Deposits	17,775	23,545
Line of Credit Payable	298,796	45,000
Right-of-Use Liability	55,918	71,425
Other Current Liabilities	18,363	14,481
Total Current Liabilities	559,113	293,683
<b>LONG-TERM LIABILITIES</b>		
Right-of-Use Liabilities, Net of Current Portion	1,299,894	1,533,468
Notes Payable	2,216,526	2,178,013
Total Long-Term Liabilities	3,516,420	3,711,481
Total Liabilities	4,075,533	4,005,164
<b>NET ASSETS</b>		
Without Donor Restrictions	821,418	1,119,487
With Donor Restrictions	1,651,030	883,428
Total Net Assets	2,472,448	2,002,915
Total Liabilities and Net Assets	\$ 6,547,981	\$ 6,008,079

See accompanying Notes to Financial Statements.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions and Grants	\$ 740,472	\$ 196,164	\$ 936,636
Special Events (Net of \$48,015 Direct Special Events Costs)	109,337	-	109,337
Government Grants and Assistance	2,639,275	-	2,639,275
Rental Income	853,692	-	853,692
Contributions of Nonfinancial Assets	281,054	634,951	916,005
Other Income	35,831	-	35,831
Net Assets Released from Restrictions	63,513	(63,513)	-
Total Revenue	4,723,174	767,602	5,490,776
<b>EXPENSES</b>			
Program Services	4,200,268	-	4,200,268
Management and General	515,457	-	515,457
Fundraising	305,518	-	305,518
Total Expenses	5,021,243	-	5,021,243
<b>CHANGE IN NET ASSETS</b>	(298,069)	767,602	469,533
Net Assets - Beginning of Year	1,119,487	883,428	2,002,915
<b>NET ASSETS - END OF YEAR</b>	\$ 821,418	\$ 1,651,030	\$ 2,472,448

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
<b>REVENUE AND OTHER SUPPORT</b>			
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
<b>EXPENSES</b>			
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
<b>CHANGE IN NET ASSETS</b>	(406,968)	(35,249)	(442,217)
Net Assets - Beginning of Year	1,526,455	918,677	2,445,132
<b>NET ASSETS - END OF YEAR</b>	\$ 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, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>PERSONNEL</b>				
Salaries	\$ 1,207,101	\$ 68,946	\$ 175,740	\$ 1,451,787
Payroll Taxes	99,930	5,550	13,549	119,028
Employee Benefits	219,516	25,638	25,385	270,540
Total Personnel	<u>1,526,547</u>	<u>100,133</u>	<u>214,674</u>	<u>1,841,355</u>
<b>OTHER</b>				
Security	5,724	-	-	5,724
Utilities	246,137	-	-	246,137
Repairs and Maintenance	126,230	-	90	126,320
Resident Support	303,995	-	-	303,995
Fundraising	-	-	48,015	48,015
Branding and Development	-	32	33,986	34,018
Office and Administrative Costs	263,343	309,237	56,767	629,347
Insurance	-	44,285	-	44,285
Interest Expense	-	1,943	-	1,943
Other Expenses	76,406	-	-	76,406
Scattered Site and Rapid Rehousing Rent	<u>1,515,720</u>	<u>1,060</u>	<u>-</u>	<u>1,516,780</u>
Total Other	<u>2,537,555</u>	<u>356,557</u>	<u>138,858</u>	<u>3,032,970</u>
Total Expenses Before Depreciation and Amortization	4,064,102	456,690	353,533	4,874,325
Depreciation Expense	136,166	7,079	-	143,245
Amortization of Loan Discount	-	38,513	-	38,513
Amortization of Interest Receivable	<u>-</u>	<u>13,175</u>	<u>-</u>	<u>13,175</u>
Total Expenses	4,200,268	515,457	353,533	5,069,258
Less: Direct Special Event Costs Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(48,015)</u>	<u>(48,015)</u>
Net Expenses	<u>\$ 4,200,268</u>	<u>\$ 515,457</u>	<u>\$ 305,518</u>	<u>\$ 5,021,243</u>

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
<b>PERSONNEL</b>				
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
<b>OTHER</b>				
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.**  
**STATEMENTS OF CASH FLOWS**  
**JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 469,533	\$ (442,217)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	143,245	145,283
Amortization of Loan Discount	38,513	60,276
Amortization of Interest Receivable	13,175	-
Donated Property and Equipment	-	(80,403)
Donated Loan Discount	(591,947)	-
Loss on Disposal of Property and Equipment	-	62,357
Bad Debt Expense	-	2,929
(Increase) Decrease in Operating Assets:		
Contribution Receivables	(181,164)	17,000
Donated Facilities Receivable	(56,179)	-
Other Receivables	123,168	(126,106)
Prepaid Expenses and Other Assets	(705)	(7,429)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	33,212	(102,187)
Accrued Expenses	(4,183)	(470)
Security Deposits	(5,770)	(875)
Lease Liability	5,468	2,693
Other Liabilities	3,882	5,376
Net Cash Used by Operating Activities	(9,752)	(463,773)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(65,789)	(44,099)
Net Cash Used by Investing Activities	(65,789)	(44,099)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on Line of Credit	800,000	250,000
Repayments on Line of Credit	(546,204)	(205,000)
Net Cash Provided by Financing Activities	253,796	45,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	178,255	(462,872)
Cash and Cash Equivalents - Beginning of Year	308,905	771,777
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	\$ 487,160	\$ 308,905
<b>SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION</b>		
Cash Paid for Interest Expense	\$ 1,943	\$ 3,242

See accompanying Notes to Financial Statements.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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 statements of activities for the years ended June 30, 2024 and 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 statements of financial position. The Organization received cost-reimbursable grants that have not been recognized of approximately \$473,000 and \$450,000 for the years ended June 30, 2024 and 2023, respectively, 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, 2024 and 2023 the estimated fair value of benefits received was approximately \$36,000 and \$21,000, respectively.

**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.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Nonfinancial Assets (Continued)**

The Organization recorded donated goods and services of approximately \$201,000 and \$240,000, donated property and equipment of approximately \$7,000 and \$80,000, and donated use of facilities of approximately \$116,000 and \$51,000 for the years ended June 30, 2024 and 2023, respectively. The donated use of facilities are approved by the landlord on an annual basis and are recorded as contributions of nonfinancial assets in the period in which they are received. The estimated fair value of the donated use of facilities is based on comparable rental rates in the local real estate market. Because there are numerous factors used in determining the rental rates each period, the Organizations receives notification of the amount of below market rent from the landlord on an annual basis. The amount of donated facility receivables outstanding at year-end relates to the known below market rent communicated by the landlord for the next year. The Organization also received a twenty year extension on one of its noninterest bearing notes with the City of Charlotte during the year ended June 30, 2024 (see Note 7). As such, the Organization has recorded a contribution of nonfinancial asset related to donated interest through the extension of the note of approximately \$592,000 for the year ended June 30, 2024. These contributions 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, 2024, there were 265 available units, and 223 were occupied respectively, by formerly homeless, disabled men, women and families. As of June 30, 2023, there were 229 available units, and 200 were occupied respectively, 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.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2024 or 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 statements.

**Adoption of New Accounting Standards**

As of July 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did not change how the allowance for credit losses is determined.

**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.

**Reclassifications**

Certain amounts included in the 2023 financial statement notes have been reclassified to conform to the 2024 presentation. Changes in net assets previously reported for 2023 were not affected by these reclassifications.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 22, 2024, the date the financial statements were available to be issued.



**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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**

**Contribution Receivables**

Contribution receivables are recorded as restricted revenue and support in the accompanying statements of activities. Contribution receivables consisted of the following at June 30, 2024 and 2023:

	2024	2023
Due in Less than One Year	\$ 106,164	\$ -
Due in Two to Five Years	75,000	-
Total	\$ 181,164	\$ -

Management determined the discount on contribution receivables due in future periods was not material to the financial statements. Accordingly, no discount has been recorded.

**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 uncollectible amounts 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, 2024 and 2023:

	2024	2023
Resident and Subsidy Accounts, Net	\$ 367,867	\$ 497,442
Refundable Sales Tax	6,590	183
Total	\$ 374,457	\$ 497,625

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Buildings and Improvements	\$ 4,975,573	\$ 4,921,885
Land	140,070	140,070
Furniture and Equipment	81,426	69,325
Total Cost	5,197,069	5,131,280
Less: Accumulated Depreciation	(1,683,436)	(1,540,191)
Property and Equipment, Net	\$ 3,513,633	\$ 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). In September 2023, the line of credit was paid in full. In October 2023, the line of credit was not renewed. The balance outstanding on the revolving line of credit at June 30, 2023 was \$45,000.

In February 2024, the Organization entered into a new line of credit with a different lender in the amount of \$380,000. The new line of credit is collateralized by the Organization's accounts receivable and equipment and bears a variable interest rate equal to *The Wall Street Journal* prime rate plus 1% (9.50% at June 30, 2024), but not less than 7.50%. Monthly interest only payments are required, and unpaid principal and accrued interest are due on the maturity date of February 26, 2025. The balance outstanding on the revolving line of credit at June 30, 2024 was \$299,000. Interest expense for the years ended June 30, 2024 and 2023 was approximately \$2,000 and \$3,000, respectively.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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. The City of Charlott McCreesh I note was scheduled to mature during the year ended June 30, 2024 In August 2023, this note was extended 20 years to mature in 2043. The other terms remained the same, whereas, the note is noninterest bearing and requires no principal payments before maturity.

Details of these note agreements are as follows:

	Total	McCreesh I	McCreesh II		NCHFA
			Construction	Operating	
Balance at June 30, 2024					
Principal Balance	\$ 2,700,542	\$ 1,025,542	\$ 875,000	\$ 100,000	\$ 700,000
Present Value Discount	(484,016)	-	(171,896)	(21,696)	(290,424)
Net Liability	<u>\$ 2,216,526</u>	<u>\$ 1,025,542</u>	<u>\$ 703,104</u>	<u>\$ 78,304</u>	<u>\$ 409,576</u>
Other Information					
Maturity		2043	2031	2031	2038
Interest Rate Used to Compute Present Value		4.48%	3%	3%	4%
	Total	McCreesh I	McCreesh II		NCHFA
Balance at June 30, 2023					
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	<u>\$ 2,178,013</u>	<u>\$ 1,025,542</u>	<u>\$ 682,625</u>	<u>\$ 76,023</u>	<u>\$ 393,823</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:

Year Ending June 30,	Amount
2025	\$ -
2026	-
2027	-
2028	-
2029	-
Thereafter	2,216,526
Total	<u>\$ 2,216,526</u>

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 8 DESIGNATED NET ASSETS**

The governing board of the Organization has designated, from net assets without donor restrictions, net assets of approximately \$0 and \$292,000, respectively, for the following purposes as of June 30, 2024 and 2023:

	2024	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 at June 30, 2024 and 2023 was approximately \$125,000 and \$122,000, respectively, of which all is restricted and includes accumulated interest income.

Net assets with donor restrictions as of June 30, 2024 and 2023 was restricted to be used for the following purposes:

	2024	2023
Purpose Restrictions	\$ 15,000	\$ 25,000
Time Restrictions:		
Discounted Interest on Notes Payable	484,016	522,529
Contribution Receivables	181,164	-
Donated Facilities Receivable	56,179	-
Donated Interest Receivable	578,772	-
Charlotte Housing Authority - Programs	335,899	335,899
Total	\$ 1,651,030	\$ 883,428

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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.

	<u>2024</u>	<u>2023</u>
Financial Assets at Year-End		
Cash and Cash Equivalents	\$ 487,160	\$ 308,905
Contribution Receivables, Net	106,164	-
Other Receivables	<u>374,457</u>	<u>497,625</u>
Total Financial Assets at Year-End	967,781	806,530
Less: Those Unavailable for General Expenditures		
Within One Year, Due to:		
Security Deposits	(17,775)	(23,545)
Restricted Cash - Charlotte Housing Authority	(124,921)	(121,800)
Purpose Restricted Net Assets	(15,000)	(25,000)
Board Designations - Reserves	<u>-</u>	<u>(291,655)</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 810,085</u>	<u>\$ 344,530</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 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.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 11 LEASES (CONTINUED)**

As of June 30, 2024, maturities of lease liability for the leases are as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2025	\$ 106,874	\$ 8,638	\$ 115,512
2026	106,874	8,638	115,512
2027	106,874	8,638	115,512
2028	106,874	-	106,874
2029	106,874	-	106,874
Thereafter	1,424,984	-	1,424,984
Total Undiscounted Lease Payments	1,959,354	25,914	1,985,268
Less: Imputed Interest	(629,108)	(348)	(629,456)
Total Lease Liability	<u>\$ 1,330,246</u>	<u>\$ 25,566</u>	<u>\$ 1,355,812</u>

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 years ended June 30, 2024 and 2023 was approximately \$115,000 and \$97,000, respectively.

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, 2024, the weighted average lease term remaining that is included in the maturities of the ROU liabilities is 2.9 years and 18.3 years for the financing lease and operating lease, respectively. The weighted average discount rate is 0.93% and 4.57% for the financing lease and operating lease, respectively. 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 is 0.93% and 2.60% for the financing lease and operating lease, respectively. The total cash paid for leases during the years ended June 30, 2024 and 2023 was approximately \$112,000 and \$94,000, respectively.

The Organization 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 statements of financial position.

**SUPPORTIVE HOUSING COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024, the Organization's uninsured cash balances totaled approximately \$16,000. As of June 30, 2023, the Organization 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 both of the years ended June 30, 2024 and 2023 was approximately \$49,000.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.