

Supportive Housing Communities, Inc.

Financial Statements

Year Ended June 30, 2025

SUPPORTIVE HOUSING COMMUNITIES, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Supportive Housing Communities, Inc. (the "Organization" - a nonprofit organization), which comprises the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Supportive Housing Communities, Inc. as of June 30, 2025, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 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 Supportive Housing Communities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted 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 purposes 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 statements.
- 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2025, on our consideration of Supportive Housing Communities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Prior Period Financial Statements

The Organization's financial statements as of June 30, 2024, were audited by other auditors whose report was dated November 22, 2024, and expressed an unmodified opinion on those statements.

Foard & Company, P.A.

October 15, 2025

SUPPORTIVE HOUSING COMMUNITIES, INC.**Statement of Financial Position****June 30, 2025, with prior year comparative totals**

	2025	2024
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 331,415	\$ 487,160
Contribution receivables, net	279,129	106,164
Donated facilities receivable	38,145	56,179
Donated interest receivable, net	21,366	20,432
Other receivables	192,368	374,457
Prepaid expenses and other assets	33,682	8,965
<i>Total Current Assets</i>	896,105	1,053,357
Contribution receivables, net of current portion	-	75,000
Donated interest receivable, net of current portion	536,974	558,340
Right-of-use asset	1,292,096	1,347,651
Property and Equipment:		
Property and equipment	5,238,184	5,197,069
Less: Accumulated depreciation	(1,829,889)	(1,683,436)
<i>Property and Equipment, Net</i>	3,408,295	3,513,633
<i>TOTAL ASSETS</i>	\$ 6,133,470	\$ 6,547,981
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 21,518	\$ 57,183
Accrued expenses	38,438	111,078
Security deposits	17,475	17,775
Line of credit payable	368,908	298,796
Right-of-use liability	61,358	55,918
Other current liabilities	34,895	18,363
<i>Total Current Liabilities</i>	542,592	559,113
Long-Term Liabilities:		
Right-of-use operating lease liability, net of current portion	1,241,681	1,299,894
Notes payable	2,256,351	2,216,526
<i>Total Long-Term Liabilities</i>	3,498,032	3,516,420
<i>Total Liabilities</i>	4,040,624	4,075,533
Net Assets:		
Without donor restrictions	448,271	821,418
With donor restrictions	1,644,575	1,651,030
<i>Total Net Assets</i>	2,092,846	2,472,448
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 6,133,470	\$ 6,547,981

SUPPORTIVE HOUSING COMMUNITIES, INC.**Statement of Activities****Year Ended June 30, 2025, with prior year comparative totals**

	Year Ended June 30, 2025			Prior Year
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Totals
<u>SUPPORT AND REVENUE</u>				
Contributions and grants	\$ 629,089	\$ 193,000	\$ 822,089	\$ 936,636
Special events (Net of \$43,741 direct special events cost)	178,105	-	178,105	109,337
Government grants and assistance	2,856,442	-	2,856,442	2,639,275
Rental income	912,937	-	912,937	853,692
Contributions of non-financial assets	294,481	38,145	332,626	916,005
Other income	16,219	-	16,219	35,831
Net assets released from restrictions	237,600	(237,600)	-	-
<i>Total Support and Revenue</i>	<i>5,124,873</i>	<i>(6,455)</i>	<i>5,118,418</i>	<i>5,490,776</i>
<u>EXPENSES</u>				
Program services	4,632,992	-	4,632,992	4,200,268
Management and general	442,811	-	442,811	515,457
Fundraising	422,217	-	422,217	305,518
<i>Total Expenses</i>	<i>5,498,020</i>	<i>-</i>	<i>5,498,020</i>	<i>5,021,243</i>
<i>CHANGE IN NET ASSETS</i>	<i>(373,147)</i>	<i>(6,455)</i>	<i>(379,602)</i>	<i>469,533</i>
<i>NET ASSETS, BEGINNING</i>	<i>821,418</i>	<i>1,651,030</i>	<i>2,472,448</i>	<i>2,002,915</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 448,271</i>	<i>\$ 1,644,575</i>	<i>\$ 2,092,846</i>	<i>2,472,448</i>

SUPPORTIVE HOUSING COMMUNITIES, INC.**Statement of Functional Expenses****Year Ended June 30, 2025, with prior year comparative totals**

	Year Ended June 30, 2025				Prior Year Comparative Totals
	Program	Management and General	Fundraising	Totals	
<u>PERSONNEL</u>					
Salaries	\$ 1,286,811	\$ 37,504	\$ 180,343	\$ 1,504,658	\$ 1,451,787
Payroll Taxes	109,093	3,546	14,783	127,422	119,028
Employee benefits	281,612	26,593	38,162	346,367	270,540
<i>Total Personnel</i>	<i>1,677,516</i>	<i>67,643</i>	<i>233,288</i>	<i>1,978,447</i>	<i>1,841,355</i>
<u>OTHER EXPENSES</u>					
Security	5,758	-	-	5,758	5,724
Utilities	262,510	-	-	262,510	246,137
Repairs and maintenance	117,417	35	-	117,452	126,320
Resident support	336,480	-	-	336,480	303,995
Fundraising	-	-	43,928	43,928	48,015
Branding and development	-	-	4,225	4,225	34,018
Office and administrative costs	137,394	232,732	184,517	554,643	629,347
Insurance	-	47,481	-	47,481	44,285
Interest expense	-	26,636	-	26,636	1,943
Other expenses	38,325	-	-	38,325	76,406
Scattered site and rapid rehousing rent	1,918,377	790	-	1,919,167	1,516,780
<i>Total Other Expenses</i>	<i>2,816,261</i>	<i>307,674</i>	<i>232,670</i>	<i>3,356,605</i>	<i>3,032,970</i>
Total expenses before depreciation and amortization	4,493,777	375,317	465,958	5,335,052	4,874,325
Depreciation expense	139,215	7,237	-	146,452	143,245
Amortization of loan discount	-	39,825	-	39,825	38,513
Amortization of interest receivable	-	20,432	-	20,432	13,175
<i>TOTAL EXPENSES</i>	<i>4,632,992</i>	<i>442,811</i>	<i>465,958</i>	<i>5,541,761</i>	<i>5,069,258</i>
Less: Special event costs deducted from revenue	-	-	(43,741)	(43,741)	(48,015)
<i>NET EXPENSES</i>	<i>\$ 4,632,992</i>	<i>\$ 442,811</i>	<i>\$ 422,217</i>	<i>\$ 5,498,020</i>	<i>5,021,243</i>

SUPPORTIVE HOUSING COMMUNITIES, INC.**Statement of Cash Flows****Year Ended June 30, 2025, with prior year comparative totals**

	June 30,	
	2025	2024
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (379,602)	\$ 469,533
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation	146,452	143,245
Amortization of loan discount	39,825	38,513
Amortization of interest receivable	20,432	13,175
Donated loan discount	-	(591,947)
Right of use asset and lease liability	2,782	5,468
(Increase) decrease in operating assets:		
Contribution receivables	(97,965)	(181,164)
Donated facilities receivable	18,034	(56,179)
Other receivables	182,089	123,168
Prepaid expenses and other assets	(24,717)	(705)
Increase (decrease) in operating liabilities:		
Accounts payable	(35,665)	33,212
Accrued expenses	(72,640)	(4,183)
Security deposits	(300)	(5,770)
Other liabilities	16,532	3,882
<i>Cash Flows from Operating Activities</i>	<i>(184,743)</i>	<i>(9,752)</i>
<u>INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(41,114)	(65,789)
<i>Cash Flows from Investing Activities</i>	<i>(41,114)</i>	<i>(65,789)</i>
<u>FINANCING ACTIVITIES</u>		
Proceeds on line of credit	880,112	800,000
Repayments on line of credit	(810,000)	(546,204)
<i>Cash Flows from Financing Activities</i>	<i>70,112</i>	<i>253,796</i>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<i>(155,745)</i>	<i>178,255</i>
CASH AND CASH EQUIVALENTS, BEGINNING	<i>487,160</i>	<i>308,905</i>
CASH AND CASH EQUIVALENTS, ENDING	<i>\$ 331,415</i>	<i>\$ 487,160</i>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest expense	\$ 26,636	\$ 1,943

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

NOTE A – NATURE OF ORGANIZATION 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.

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, 2025

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.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Contributions receivable

Contributions receivable are recognized as support in the year the pledges are received. Contributions receivable are expected to be collected within one year. Management believes that the contributions receivable balance is 100 percent collectible based on analysis and historical collectability of the underlying accounts; therefore, no allowance for bad debt has been provided. No discount for present value has been recorded as it is immaterial to the financial statements.

Other receivables

Other receivables are primarily related to residents and subsidy payments for rent, and they are recognized as a receivable and revenue monthly. These receivables are expected to be collected shortly after year-end. The Center applies the current expected credit loss (“CECL”) methodology under ASU 2016-13 *Financial Instruments – Credit Losses* (Topic 326) to its accounts receivable. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts.

Property and equipment

Purchased property and equipment with a value of \$2,500 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.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

Contributions and support

Contributions received are recorded as net assets with or without donor restrictions support 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, depending on the nature of the restriction. 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 consolidated statements of activities as net assets released from restrictions. Donor restricted contributions recognized and utilized in the same accounting period are classified as net assets without donor 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.

Grant awards are evaluated by management and determined to be either unconditional contributions, exchange transactions, or conditional contributions. If considered an unconditional contribution, revenue from grants is recorded upon notification of the award. If an exchange transaction, revenue from grants is recorded as services are performed under the terms of the respective grant agreement. If a conditional contribution is considered, 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 year ended June 30, 2025, 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 amount received prior to incurring qualifying expenditures would be reported as refundable advances in the consolidated statements of financial position. No advance payments have been received as of June 30, 2025.

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, 2025, the estimated fair value of benefits received was approximately \$79,000.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

Contributed non-financial 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 Organization recorded donated goods and services of approximately \$271,000, donated property and equipment of approximately \$6,000, and donated use of facilities of approximately \$56,000 for the year ended June 30, 2025. 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 Organization 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. As such, the Organization has recorded a contribution of nonfinancial asset related to donated interest through the extension of the note of approximately \$38,000 for the year ended June 30, 2025. 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, 2025, there were 249 available units, and 216 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. Management recognizes 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.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

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.

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. U.S. 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 positions as of June 30, 2025.

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.

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's 2024 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE C – 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, 2025:

Due in less than one year	\$	279,129
Due in two to five years		-
Total	\$	<u>279,129</u>

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

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

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 a \$1,094 allowance for credit losses 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, 2025:

Resident and subsidy accounts, net	\$	188,693
Refundable sales tax		<u>3,675</u>
Total	\$	<u>192,368</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2025:

Buildings and improvements	\$	5,008,773
Land		140,070
Furniture and equipment		<u>89,341</u>
Total Cost		5,238,184
Less: Accumulated depreciation		<u>1,829,889</u>
Property and Equipment, Net	\$	<u><u>3,408,295</u></u>

NOTE E – LINE OF CREDIT

In February 2024, the Organization entered into a line of credit with a lender in the amount of \$380,000. The 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% (8.50% at June 30, 2025), 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. Interest expense for the year ended June 30, 2025, was approximately \$26,600.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

NOTE F – NOTES PAYABLE

The Organization has three noninterest bearing notes with the City of Charlotte and one non-interest bearing note with the North Carolina Housing Finance Agency. All of the notes require no principal payments before maturity. The note agreements do require early payment of the original principal balance if the property located at 2120 North Davidson Street is sold or the Organization ceases to use the property for the purpose of providing housing to formerly homeless, disabled individuals. This is not currently contemplated by the Organization. Since the notes do not bear interest, a present value discount has been computed utilizing discount rates determined at the inception of each note. The City of Charlotte - 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 non-interest bearing and requires no principal payments before maturity.

Details of the note agreements are as follows:

	McCreesh II				
	Total	McCreesh I	Construction	Operating	NCHFA
Balance at June 30, 2025					
Principal Balance	\$ 2,700,542	\$ 1,025,542	\$ 875,000	\$ 100,000	\$ 700,000
Present value discount	(444,191)	-	(150,803)	(19,347)	(274,041)
Net Liability	<u>\$ 2,256,351</u>	<u>\$ 1,025,542</u>	<u>\$ 724,197</u>	<u>\$ 80,653</u>	<u>\$ 425,959</u>
Other information:					
Maturity		2043	2031	2031	2038
Interest rate used to compute present value		4.48%	3%	3%	4 %

Future maturities of notes payable consist of the following:

2026	\$ -
2027	-
2028	-
2029	-
Thereafter	<u>2,256,351</u>
Total	<u>\$ 2,256,351</u>

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

NOTE G – 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.

Net assets with donor restrictions as of June 30, 2025, were restricted to be used for the following purposes:

Purpose restrictions	\$	150,000
Time restrictions:		
Discounted interest on notes payable		444,191
Contribution receivables		118,000
Donated facilities receivable		38,145
Donated interest receivable		558,340
Charlotte Housing Authority – Programs		335,899
Total	\$	<u>1,644,575</u>

NOTE H – 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, 2025, the Organization had no uninsured cash balances.

Geographic area

The Organization operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

NOTE I – 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, 2025, was approximately \$54,000.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Notes to Financial Statements

June 30, 2025

NOTE J – 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.

Years Ending June 30,	<u>Operating</u>	<u>Financing</u>	<u>Totals</u>
2026	\$ 106,874	\$ 8,638	\$ 115,512
2027	106,874	8,638	115,512
2028	106,874	-	106,874
2029	106,874	-	106,874
2030	106,874	-	106,874
Thereafter	1,318,110	-	1,318,110
Total Undiscounted Lease Payments	1,852,480	17,276	1,869,756
Less: imputed interest	(566,564)	(153)	(566,717)
Total Lease Liability	<u>\$ 1,285,916</u>	<u>\$ 17,123</u>	<u>\$ 1,303,039</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 4.57% 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, 2025, was approximately \$115,000.

The lease liability will continue to be impacted by new leases, lease modifications, lease terminations, and re-evaluations of any new facts and circumstances. As of June 30, 2025, the weighted average lease term remaining that is included in the maturities of the ROU liabilities is 1.9 years and 17.3 years for the financing lease and operating lease, respectively. The total cash paid for leases during the year ended June 30, 2025, was approximately \$115,000.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component. The Organization 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, 2025

NOTE K – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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.

The following table reflects the Organization's liquid financial assets as of June 30, 2025:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 331,415
Contribution receivables, net	279,129
Other receivables	192,368
Total Financial Assets at Year End	<u>802,912</u>
Less: Those unavailable for general expenditures within one year, due to:	
Security deposits	17,475
Purpose restricted net assets	<u>150,000</u>
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	<u>\$ 635,437</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 L – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the consolidated statements of financial position through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued. During this period, the Organization sold property located on St. Johns Church Road for \$2,150,000, at which time the NCHFA note payable balance of \$700,000 was paid in full. No other material recognizable subsequent events were identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Supportive Housing Communities, Inc. (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2025

Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

Supportive Housing Communities, Inc. Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Foard & Company, P.A.

October 15, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Supportive Housing Communities, Inc.'s (the "Organization" - a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2025. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item Finding 2025-001. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standard requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Foard & Company, P.A.

October 15, 2025

SUPPORTIVE HOUSING COMMUNITIES, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

1. An unmodified opinion was issued on the financial statements of Supportive Housing Communities, Inc. (the "Organization").
2. No significant deficiencies related to the audit of the financial statements are reported in the "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements In Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal program are reported in the "Independent Auditors' Report on Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance."
5. An unmodified opinion was issued on the Organization's compliance with the types of compliance requirements applicable to its major federal program.
6. Our audit disclosed one audit finding related to the major federal program for the Organization.
7. The program tested as a major program for the year ended June 30, 2025, was Assistance Listing #14.267, Continuum of Care Program.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Organization did not qualify as a low-risk auditee under Section 200 of the Uniform Guidance.

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

There were no findings for the year ended June 30, 2025.

III. FINDINGS RELATED TO THE AUDIT OF FEDERAL AWARDS

Finding 2025-001

Other Matter

Criteria: The Organization's Data Collection Form is to be submitted nine months from the fiscal year-end date.

Condition: The Data Collection Form was submitted more than nine months from the fiscal year end date for the June 30, 2024, audit.

SUPPORTIVE HOUSING COMMUNITIES, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Effect: The Organization will not qualify as a low-risk auditee.

Cause: The audit was completed after the required due date.

Recommendation: Future audits should be schedule earlier.

Views of responsible officials: The Organization agrees with this finding.

Corrective action plan: The Data Collection Form for future audits will be submitted a week after the audit is finalized, which will be prior to March 31st. The current audit was scheduled in October, which provides sufficient time to complete the audit within the nine month requirement.

Name of contact Person: Laura Caldwell, Executive Director

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Federal Award Finding – 2024-001– Review of Rent Reasonableness

Condition: Rent reasonableness is completed by a member of the leasing and housing team. The Chief of Housing Operations performs a review of the rent reasonableness documentation. However, there was no documentation of the review and approval.

Recommendation: Management implement a policy that the Chief of Housing Operations documents their approval to ensure the review and approval have occurred.

Current Status: The Organization implemented the policy.

Federal Award Finding – 2024-002 – Reviewing of Drawdown Request

Condition: The Organization can spend no more than 10 percent of its grants on administrative costs. Additionally, the Organization must match no less than 25% of all grants, except for leasing funds. Compliance with these requirements are reviewed when the drawdown requests are made. There was no documentation of both the preparer and reviewer signing off on the supporting documents, to ensure these steps are completed by two different individuals.

Recommendation: Management implement a policy that both the preparer and reviewer (two separate individuals) of the drawdown requests document each of their sign offs upon completion of their process, including review of the matching requirement.

Current Status: The Organization implemented the policy.

SUPPORTIVE HOUSING COMMUNITIES, INC.**Schedule of Expenditures of Federal Awards****Year Ended June 30, 2025**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Agency or Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Program:			
Continuum of Care Program	14.267	NC0308L4F052310	\$ 307,102
Continuum of Care Program	14.267	NC0308L4F052411	65,275
Continuum of Care Program	14.267	NC0472L4F052201	406,870
Total for Federal Assistance Listing 14.267			779,247
Passed through Local Initiatives Support Corporation			
U.S. Department of Housing and Urban Development-Section 4			
Capacity Building for Community Development and Affordable Housing	14.252	53478-0004	65,692
Total for Federal Assistance Listing 14.252			65,692
Passed through the City of Charlotte			
U.S. Department of Housing and Urban Development - Emergency			
Solutions Grant Program (Charlotte)	14.231	2024000461	12,798
Total for Federal Assistance Listing 14.231			12,798
Passed through the City of Charlotte			
U.S. Department of Housing and Urban Development - Home			
Investment Partnerships Program	14.239	2023000271	159,363
Total for Federal Assistance Listing 14.239			159,363
Total for U.S. Department of Housing and Urban Development			1,017,100
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,017,100

SUPPORTIVE HOUSING COMMUNITIES, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal grant activity of Supportive Housing Communities, Inc. (the "Organization") for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 - CONTINGENCIES

The Organization is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.

NOTE 3 - INDIRECT COST RATE

The Organization has elected to use the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.