

MEN'S SHELTER OF CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2017

MEN'S SHELTER OF CHARLOTTE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Men's Shelter of Charlotte, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Men's Shelter of Charlotte, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Men's Shelter of Charlotte, Inc., as of June 30, 2017 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and our report dated January 11, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
January 10, 2018

MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Financial Position

June 30, 2017, with prior year comparative totals

	June 30,	
	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,072,862	\$ 829,752
Grants Receivable:		
United Way	363,280	367,779
Other	96,351	151,539
Pledges receivable, net	596,278	366,537
Other receivables	29,853	43,137
Prepaid expenses	36,841	28,809
Other assets	900	6,182
<i>Total Current Assets</i>	<i>2,196,365</i>	<i>1,793,735</i>
Property and Equipment (net of depreciation and amortization)	1,983,698	2,046,154
Non-Current Assets:		
Cash held for long-term purposes	202,352	21,500
Pledges receivable, net of current portion	783,742	378,851
Beneficial interest in assets held in trust	13,170	12,351
<i>Total Non-Current Assets</i>	<i>999,264</i>	<i>412,702</i>
<i>TOTAL</i>	<i>\$ 5,179,327</i>	<i>\$ 4,252,591</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 69,727	\$ 55,919
Payroll liabilities	105,985	80,422
<i>Total Current Liabilities</i>	<i>175,712</i>	<i>136,341</i>
Long-Term Liabilities:		
Notes payable, net of discount	1,115,591	1,098,085
<i>Total Long-Term Liabilities</i>	<i>1,115,591</i>	<i>1,098,085</i>
Net Assets:		
Unrestricted	1,611,005	1,496,323
Temporarily restricted	2,277,019	1,521,842
<i>Total Net Assets</i>	<i>3,888,024</i>	<i>3,018,165</i>
<i>TOTAL</i>	<i>\$ 5,179,327</i>	<i>\$ 4,252,591</i>

See accompanying notes to financial statements.

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MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Activities

Year Ended June 30, 2017, with prior year comparative totals

	Year Ended June 30, 2017			Prior Year
	Unrestricted	Temporarily Restricted	TOTALS	Comparative Totals
<u>SUPPORT AND REVENUE</u>				
Support:				
Contributions and grants	\$ 1,594,791	\$ 1,073,900	\$ 2,668,691	\$ 2,127,395
Donated goods	599,511	-	599,511	607,614
United Way	28,950	363,280	392,230	409,787
Revenue:				
Governmental agencies	1,180,441	-	1,180,441	1,000,267
Investment income	980	-	980	(574)
Loss on disposal of assets	(161,868)	-	(161,868)	-
Other	37,626	-	37,626	5,470
Net assets released:				
By payment	227,797	(227,797)	-	-
By time	454,206	(454,206)	-	-
<i>TOTAL</i>	<i>3,962,434</i>	<i>755,177</i>	<i>4,717,611</i>	<i>4,149,959</i>
<u>EXPENSES</u>				
Program Services:				
Emergency services	2,245,017	-	2,245,017	2,389,852
Housing services	669,936	-	669,936	381,601
Employment SOAR	203,011	-	203,011	246,857
<i>Total Program Services</i>	<i>3,117,964</i>	<i>-</i>	<i>3,117,964</i>	<i>3,018,310</i>
Management and general	380,441	-	380,441	318,096
Fundraising	349,347	-	349,347	339,524
<i>TOTAL</i>	<i>3,847,752</i>	<i>-</i>	<i>3,847,752</i>	<i>3,675,930</i>
<i>CHANGE IN NET ASSETS</i>	<i>114,682</i>	<i>755,177</i>	<i>869,859</i>	<i>474,029</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,496,323</i>	<i>1,521,842</i>	<i>3,018,165</i>	<i>2,544,136</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,611,005</i>	<i>\$ 2,277,019</i>	<i>\$ 3,888,024</i>	<i>\$ 3,018,165</i>

MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Functional Expenses

Year Ended June 30, 2017, with prior year comparative totals

	PROGRAM SERVICES								Prior Year Comparative Totals	
	Emergency Services		Housing Services	Employment Diversion Services	Total Program Services	Management and General	Fundraising	TOTALS		
	Tryon Campus	Statesville Campus								
<u>SALARIES AND BENEFITS</u>										
Salaries	\$ 409,339	\$ 310,568	\$ 204,498	\$ 133,151	\$ 1,057,556	\$ 293,952	\$ 177,052	\$ 1,528,560	\$ 1,498,012	
Payroll taxes	42,206	31,717	18,903	8,250	101,076	25,521	15,074	141,671	145,870	
Workmen's compensation insurance	35,320	23,288	6,986	5,822	71,416	3,881	2,329	77,626	103,266	
Health benefits	17,827	8,936	19,237	4,850	50,850	5,905	15,514	72,269	82,444	
All other employee benefits	1,198	945	189	158	2,490	284	378	3,152	6,415	
Total	505,890	375,454	249,813	152,231	1,283,388	329,543	210,347	1,823,278	1,836,007	
<u>OTHER EXPENSES</u>										
Food	403,308	292,052	-	-	695,360	-	-	695,360	705,648	
Client assistance	12,389	9,134	379,719	16,686	417,928	-	-	417,928	219,558	
Utilities	67,077	42,087	9,207	6,576	124,947	3,946	2,630	131,523	140,057	
Supplies	35,551	26,472	-	-	62,023	257	45,319	107,599	109,691	
Building maintenance and repairs	63,280	43,075	14,807	13,448	134,610	-	-	134,610	170,431	
Equipment and technology	3,222	5,098	2,069	1,217	11,606	24,188	30,453	66,247	65,467	
Outside services	24,423	16,202	3,509	4,006	48,140	2,506	1,504	52,150	68,193	
Laundry	36,517	26,444	-	-	62,961	-	-	62,961	54,120	
Insurance	16,644	11,332	2,478	1,771	32,225	1,416	1,771	35,412	33,178	
Staff development	8,408	5,724	1,252	894	16,278	716	894	17,888	6,234	
Telephone and communications	11,819	8,045	1,880	1,557	23,301	1,006	1,254	25,561	21,067	
Office supplies	6,515	4,621	1,781	849	13,766	2,276	1,302	17,344	15,224	
Interest	-	17,506	-	-	17,506	-	-	17,506	16,515	
Printing and promotion	347	199	89	31	666	25	8,827	9,518	6,107	
Travel and lodging	1,147	987	2,632	3,441	8,207	2,968	1,227	12,402	14,165	
Postage	667	561	123	88	1,439	228	3,011	4,678	7,593	
Dues and subscriptions	-	-	150	-	150	2,435	529	3,114	3,615	
Campaign expenses	-	-	-	-	-	-	27,370	27,370	-	
All other expenses	2,043	1,382	427	216	4,068	173	5,903	10,144	7,726	
Total	693,357	510,921	420,123	50,780	1,675,181	42,140	131,994	1,849,315	1,664,589	
TOTAL EXPENSES BEFORE DEPRECIATION										
DEPRECIATION	1,199,247	886,375	669,936	203,011	2,958,569	371,683	342,341	3,672,593	3,500,596	
Depreciation and amortization	92,449	66,946	-	-	159,395	8,758	7,006	175,159	175,334	
TOTAL FUNCTIONAL EXPENSES	\$ 1,291,696	\$ 953,321	\$ 669,936	\$ 203,011	\$ 3,117,964	\$ 380,441	\$ 349,347	\$ 3,847,752	\$ 3,675,930	

See accompanying notes to financial statements.

MEN'S SHELTER OF CHARLOTTE, INC.**Statement of Cash Flows****Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30,	
	2017	2016
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 869,859	\$ 474,029
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation expense	175,160	175,334
Amortization of loan discount	17,506	16,515
(Increase) decrease in value of beneficial trust	(819)	582
Loss on disposal of assets	161,868	-
Contributions restricted for long-term purposes	(917,013)	(492,705)
(Increase) decrease in operating assets:		
Receivables	(156,770)	(94,609)
Prepaid expenses	(8,032)	12,220
Other assets	5,282	3,475
Increase (decrease) in operating liabilities:		
Accounts payable	13,808	6,050
Payroll liabilities	25,563	(7,539)
<i>Cash Flows from Operating Activities</i>	186,412	93,352
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(274,572)	(175,516)
<i>Cash Flows from Investing Activities</i>	(274,572)	(175,516)
<u>FINANCING ACTIVITIES</u>		
(Increase) in long-term pledge receivables	(404,891)	(57,283)
Contributions restricted for long-term purposes	917,013	492,705
<i>Cash Flows from Financing Activities</i>	512,122	435,422
CHANGE IN CASH	423,962	353,258
CASH, BEGINNING	851,252	497,994
CASH, ENDING	\$ 1,275,214	\$ 851,252

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES

Organization

Men's Shelter of Charlotte, Inc., ("the Shelter") formerly Uptown Day Shelter, Inc., a United Way agency, was incorporated in July, 1985, under the laws of the State of North Carolina as a nonprofit organization. Its primary purpose is to operate facilities in Charlotte, North Carolina, for the care of homeless and indigent persons.

Programs

The Shelter's Moving Forward, Moving Home initiative, implemented on July 1, 2013, consists of five shelter components – Moving Forward, Moving Home, Medical Respite, Severe Weather Overflow, and Supportive Services. All components align with their focus to end homelessness for each man they serve. To that end, the Shelter provides emergency shelter and personalized case management services to help unaccompanied men identify and overcome the obstacles that have led to becoming homeless. In addition to operating the largest homeless shelter in North Carolina, the Shelter addresses a spectrum of needs men experiencing homelessness encounter from mental health services and job training to providing comprehensive housing programs to help men move into more appropriate housing as quickly as possible.

The Shelter provides safe emergency shelter, meals, clothing, case management, and supportive services through two different sites—the Tryon Street campus and the Statesville Avenue campus. Services at both locations are designed to offer homeless men the opportunity to establish healthy, stable futures, moving them beyond the shelter and back into the community as independent citizens.

The Statesville Avenue campus is home to the Shelter's Moving Forward component. This Shelter component focuses on helping men identify pathways to obtaining or increasing income, through employment and/or benefits, which clients need to move out of the shelter. The Tryon Street Campus houses the Moving Home component, which employs Rapid Re-housing, a nationally recognized best practice designed to help men move into more appropriate housing as quickly as possible.

Medical Respite is a service component available to homeless men being discharged from local hospitals who have no other place to go. This is a crucial need since hospitals are not obligated to treat or provide a bed for people in homeless situations.

Severe Weather Overflow component allows up to 50 beds for homeless men who are not formally participating in our programs in the case of a severe weather event.

Supportive Services component consists of myriad services ranging from on-site substance abuse treatment programs to GED, employment training and Ready to Rent classes. This component provides a wrap-around services approach that allows clients to actively participate in their success and recovery.

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Levels of service

For the year ended June 30, 2017, the Shelter's records indicate that it provided the following levels of service.

- Delivered basic needs to an average of 339 homeless men each night
- Provided shelter and access to services focused on ending homelessness to 1,401 different men
- Helped 321 men move out of the shelter into more appropriate housing

Funding sources

Activities of the Shelter are financed by government and private grants and by contributions from other organizations, churches, and individuals. Currently the Shelter is involved in a capital campaign to raise funds for necessary improvements of their current facility.

Basis of accounting

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

Unrestricted net assets – Unrestricted net assets are those which are not subject to donor-imposed stipulations and are currently available for use in the day-to-day operations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Shelter and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Shelter. The donors of these assets generally permit the Shelter to use the income earned on any related investments for general or specific purposes. During the current fiscal year, the Shelter had no permanently restricted net assets.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. Donated food is recorded at estimated fair values. During the year, the Shelter recorded \$599,511 of donated food. No other amounts have been reflected in the financial statements for donated goods and services. The Shelter pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Shelter with program services, management and general, and fundraising efforts.

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

United Way

United Way pledges are shown as an increase in temporarily restricted net assets when the pledge is received from United Way and is then released to unrestricted when the funds are actually received and utilized. United Way designations are considered to be conditional pledges, since United Way will pay these amounts to the Shelter when and if United Way collects the funds. Therefore these amounts are recorded as income when actually received.

Income tax status

The Shelter is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Shelter is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Use of estimates

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

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's 2016 financial statements, from which the summarized information was derived. Certain prior-year amounts may have been reclassified to conform to the current-year presentation.

NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD IN TRUST

Quasi-endowment fund

The Shelter's quasi-endowment fund is managed by Foundation for the Carolinas (the Foundation), and they make all investment decisions related to the Fund. The Board of Directors of the Foundation has complete discretion as to the timing and amounts of distributions from these funds; however, all funds are ultimately repayable to the Shelter and the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity. In accordance with GAAP, the Fund's assets and the related investment income are included in the accompanying financial statements. The amounts included in these financial statements represent the fair value of the Shelter's investments and the related investment income earned on the funds.

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD IN TRUST, continued

The balance at year-end represents the Shelter's beneficial interest in the Foundation investment pools. Investment income of \$980 consists of interest earned on bank accounts of \$161 and an increase in value of beneficial interest of \$819.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions while growing the funds. Actual returns in any given year will vary. Currently, the Foundation spending policy is that the amount available for distribution on an annual basis is 4.5% of the average ending balance of the fund for the last 3 years, as long as the individual fund balance is greater than 66% of historical dollar value.

NOTE 4 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Shelter's investments are all classified as Level 3 assets. The Level 3 assets are valued based on the fair value of the underlying securities, which consists of investments that are both publicly-traded and not publicly traded. The following table sets forth a summary of changes in the fair value of the Shelter's Level 3 assets for the year ended June 30, 2017.

Balance, beginning of year	\$ 12,351
Increase in value	<u>819</u>
Balance, end of year	<u>\$ 13,170</u>

MEN'S SHELTER OF CHARLOTTE, INC.**Notes to Financial Statements****June 30, 2017**

NOTE 5 – RECEIVABLESGrants receivable

Grants receivable consist of unconditional promises to give which are stated at net realizable value. Management has determined that no allowance for doubtful accounts is necessary based on a review of individual accounts, historical experience, and current economic conditions. No discount for present value has been imputed as all grants receivable is expected to be collected during the following fiscal year.

Pledges receivable

Pledges receivable were generated by the Shelter's fundraising efforts (\$192,113) and capital campaign (\$1,187,907). Unconditional promises to give for the capital and annual campaign are presented net of an estimated allowance for doubtful accounts of \$74,122. Management has reviewed its accounts receivable and determined the allowance based on industry practices and current economic conditions. The \$28,306 discount for present value is computed using an interest rate of 1.38 percent based on the U.S. Treasury two-year rate. These pledges are expected to be collected as follows:

2018		\$	631,978
2019			423,785
2020			303,025
2021			60,580
2022 and thereafter			<u>63,080</u>
Total Promises to Give			1,482,448
Deduct:			
Allowance for doubtful accounts	\$	74,122	
Present value discount		<u>28,306</u>	<u>102,428</u>
NET PLEDGES			<u>\$ 1,380,020</u>

Net pledges receivable are presented in the accompanying financial statements as current of \$596,278 and long-term of \$783,742.

Conditional pledges

The Shelter also has two material conditional promises to give. A donor has conditionally pledged \$300,000 over the next three years once \$3,700,000 has been pledged for the capital campaign. Another donor conditionally pledged \$50,000 once \$4,000,000 has been pledged for the capital campaign.

MEN'S SHELTER OF CHARLOTTE, INC.**Notes to Financial Statements****June 30, 2017**

NOTE 6 – PROPERTY AND EQUIPMENTBalance at June 30, 2017

Property is recorded at cost if purchased or fair market value if donated subject to a \$1,000 capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from three to forty years. Property and equipment at June 30, 2017 is composed of the following:

Equipment	\$	385,563
Vehicles		65,832
Building improvements		2,099,717
Buildings		2,092,019
Construction in process		228,602
Land		<u>174,090</u>
Total Property and Equipment		5,045,823
Less - accumulated depreciation and amortization		<u>3,062,125</u>
TOTAL	\$	<u><u>1,983,698</u></u>

Donated land and building

On February 24, 1995, the Shelter received the title to the land and buildings located at 1210 North Tryon Street, Charlotte, North Carolina, from the United Way of Central Carolinas, Inc. The buildings were recorded at a value of \$1,820,000 based on an appraisal as of June, 1995, and the land was recorded at an estimated value of \$60,000 per acre, for a total land value of \$158,892. These properties were transferred to the Shelter subject to a note payable to the City of Charlotte as described in Note 8.

NOTE 7 – NET ASSETSTemporarily restricted

Temporarily restricted net assets as of June 30, 2017 were restricted to be used for the following purposes:

Time restrictions:			
United Way	\$	363,280	
City of Charlotte loan discount		190,733	
Pledge campaign		<u>1,468,174</u>	\$ 2,022,187
Unutilized funds:			
Capital campaign		202,352	
Building fund		40,180	
Housing Search Services		<u>12,300</u>	<u>254,832</u>
TOTAL			<u><u>\$ 2,277,019</u></u>

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 8 – NOTES PAYABLE

Notes payable of \$1,115,591 are comprised of the following balances:

Note payable – Tryon Street

An obligation owed to the City of Charlotte for \$806,304. This note matures only if the land and buildings located at 1210 North Tryon Street cease to be used for the purpose of operating a shelter for the homeless. This note does not bear interest before maturity and no payments of principal are required. The amount that would be repaid if the note ever matured is \$500,000 plus a share of the appreciation in the value of the real estate, as determined by the provisions of a note agreement originally dated June 15, 1988, between United Way of Central Carolinas, Inc., and the City of Charlotte. The actual amount of the repayment would be determined based on the sale of the property or an appraisal at the date the note matured. The \$806,304 balance carried on the Shelter's books represents the amount that would be owed under the provisions of the note agreement, based on the appraised value of the real estate as of June, 1995.

Note payable – Statesville Road

An obligation of \$309,267 with an original principal balance of \$500,000, which is presented net of a present value discount of \$190,733. Since the note bears no interest, a present value discount has been computed utilizing a discount rate of six percent based on prevailing interest rates at the time the loan was made. This note is owed to the City of Charlotte and requires no principal payments before maturing on September 27, 2025, unless repayment of the Loan is waived by the City. The note agreement does require early payment if the property located at 3410 Statesville Road is sold or that property is no longer available for occupancy by homeless persons with income of 30% or less of the Charlotte area media income, which is not currently contemplated by the Shelter. In the event of default, the original loan balance of \$500,000 will be due and payable. Interest expense of \$17,506 was recognized during the year ended June 30, 2017.

NOTE 9 – LEASES PAYABLE

Operating leases

The Shelter leases office equipment under operating lease agreements. Lease payments made for the year ended June 30, 2017 were \$11,751. Future minimum obligations under the terms of these leases are due during the years ending June 30, 2018 of \$11,066.

NOTE 10 – BUSINESS RISKS AND CONCENTRATIONS

Revenue and receivables

The Shelter receives significant portions of its revenue from a limited number of funding sources, many of which are renewable on an annual basis. During the year ended June 30, 2017, 19 percent of receivables was provided by United Way of Central Carolinas, Inc.

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2017

NOTE 10 – BUSINESS RISKS AND CONCENTRATIONS, continued

Government grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Shelter for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Geographic area

The Shelter operates in a limited geographic area, and is therefore sensitive to changes in the local economy.

Cash

The Shelter occasionally maintains cash balances in excess of insured limits. At June 30, 2017, the uninsured balance was \$1,047,236. However, management believes that the risk related to the accounts is minimal due to the credit worthiness of the financial institutions.

NOTE 11 – RETIREMENT PLAN

The Shelter maintains a defined contribution retirement plan (the Plan) for the benefit of its employees. The Plan covers all employees who are age 18 and older and have completed twelve months of service. The Shelter typically makes matching contributions of 50 percent of the employee contributions not exceeding four percent. Participants are immediately vested in their salary deferral contributions plus the actual earnings thereon. Vesting on employer contributions occurs at a rate of 20 percent per year after two years of service. During the year ended June 30, 2017, the Shelter paid matching contributions of \$1,593.

NOTE 12 – SUBSEQUENT EVENTS

The Shelter has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.