

MEN'S SHELTER OF CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2018

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 "Shelter" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, 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, 2018 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.

Men's Shelter of Charlotte, Inc.
Charlotte, North Carolina

Report on Summarized Comparative Information

We have previously audited the Shelter's 2017 financial statements, and our report dated January 10, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.

December 26, 2018

MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Financial Position

June 30, 2018, with prior year comparative totals

	June 30,	
	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,390,841	\$ 1,072,862
Grants Receivable:		
United Way	325,000	363,280
Other	261,499	96,351
Pledges receivable, net	516,871	596,278
Other receivables	64,357	29,853
Prepaid expenses	24,031	36,841
Other assets	777	900
<i>Total Current Assets</i>	<i>2,583,376</i>	<i>2,196,365</i>
Property and Equipment (net of depreciation and amortization)	4,805,784	1,983,698
Non-Current Assets:		
Cash held for long-term purposes	852,775	202,352
Pledges receivable, net of current portion	507,992	783,742
Beneficial interest in assets held in trust	13,853	13,170
<i>Total Non-Current Assets</i>	<i>1,374,620</i>	<i>999,264</i>
<i>TOTAL</i>	<i>\$ 8,763,780</i>	<i>\$ 5,179,327</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 114,204	\$ 69,727
Construction payables	1,081,077	-
Payroll liabilities	140,269	105,985
<i>Total Current Liabilities</i>	<i>1,335,550</i>	<i>175,712</i>
Long-Term Liabilities:		
Notes payable, net of discount	1,134,147	1,115,591
<i>Total Long-Term Liabilities</i>	<i>1,134,147</i>	<i>1,115,591</i>
Net Assets:		
Unrestricted	4,744,125	1,611,005
Temporarily restricted	1,549,958	2,277,019
<i>Total Net Assets</i>	<i>6,294,083</i>	<i>3,888,024</i>
<i>TOTAL</i>	<i>\$ 8,763,780</i>	<i>\$ 5,179,327</i>

See accompanying notes to financial statements.

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MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Activities

Year Ended June 30, 2018, with prior year comparative totals

	Year Ended June 30, 2018			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Support:				
Contributions and grants	\$ 2,092,569	\$ 2,302,819	\$ 4,395,388	\$ 2,668,691
Donated goods	499,194	-	499,194	599,511
United Way	26,911	325,000	351,911	392,230
Revenue:				
Governmental agencies	1,254,300	-	1,254,300	1,180,441
Investment income	4,974	-	4,974	980
Loss on disposal of assets	-	-	-	(161,868)
Other	23,877	-	23,877	37,626
Net assets released:				
By payment	2,724,076	(2,724,076)	-	-
By time	630,804	(630,804)	-	-
<i>TOTAL</i>	<i>7,256,705</i>	<i>(727,061)</i>	<i>6,529,644</i>	<i>4,717,611</i>
<u>EXPENSES</u>				
Program Services:				
Emergency services	2,369,340	-	2,369,340	2,245,017
Housing services	785,832	-	785,832	669,936
Employment SOAR	187,251	-	187,251	203,011
<i>Total Program Services</i>	<i>3,342,423</i>	<i>-</i>	<i>3,342,423</i>	<i>3,117,964</i>
Management and general	442,757	-	442,757	380,441
Fundraising	338,405	-	338,405	349,347
<i>TOTAL</i>	<i>4,123,585</i>	<i>-</i>	<i>4,123,585</i>	<i>3,847,752</i>
<i>CHANGE IN NET ASSETS</i>	<i>3,133,120</i>	<i>(727,061)</i>	<i>2,406,059</i>	<i>869,859</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,611,005</i>	<i>2,277,019</i>	<i>3,888,024</i>	<i>3,018,165</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 4,744,125</i>	<i>\$ 1,549,958</i>	<i>\$ 6,294,083</i>	<i>\$ 3,888,024</i>

MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Functional Expenses Year Ended June 30, 2018, with prior year comparative totals

	PROGRAM SERVICES							Total Program Services	Management and General	Fundraising	TOTALS	Prior Year Comparative Totals
	Emergency Services		Housing Services	Employment Diversion Services	Total							
	Tryon Campus	Statesville Campus			Program Services	and General						
Salaries	\$ 632,230	\$ 293,427	\$ 320,213	\$ 122,895	\$ 1,368,765	\$ 345,133	\$ 172,942	\$ 1,886,840	\$ 1,528,560			
Payroll taxes	50,568	25,907	27,818	6,430	110,723	28,929	14,511	154,163	141,671			
Workmen's compensation insurance	24,653	15,667	8,332	3,101	51,753	5,051	1,520	58,324	77,626			
Health benefits	16,401	10,680	34,323	9,845	71,249	15,825	16,884	103,958	72,269			
All other employee benefits	2,179	1,768	791	350	5,088	292	770	6,150	3,152			
Total	726,031	347,449	391,477	142,621	1,607,578	395,230	206,627	2,209,435	1,823,278			

OTHER EXPENSES

Food	366,813	265,624	-	-	632,437	-	-	632,437	695,360
Client assistance	6,905	4,675	365,553	25,549	402,682	38	579	403,299	417,928
Utilities	62,965	39,507	8,642	6,173	117,287	3,704	2,469	123,460	131,523
Supplies	30,155	21,622	-	-	51,777	257	135	52,169	107,599
Building maintenance and repairs	60,767	44,166	-	-	104,933	1,176	996	107,105	134,610
Equipment and technology	10,987	6,593	2,021	835	20,436	17,633	27,190	65,259	66,247
Outside services	51,566	34,438	7,794	5,353	99,151	5,353	6,997	111,501	52,150
Laundry	26,824	19,424	-	-	46,248	-	-	46,248	62,961
Insurance	16,946	11,538	2,524	1,803	32,811	1,442	1,803	36,056	35,412
Staff development	6,120	4,167	912	651	11,850	521	651	13,022	17,888
Telephone and communications	12,604	8,580	2,597	1,341	25,122	1,072	1,338	27,532	25,561
Office supplies	5,582	4,073	2,314	720	12,689	1,540	1,165	15,394	17,344
Interest	-	18,556	-	-	18,556	-	-	18,556	17,506
Printing and promotion	-	-	-	-	-	-	7,479	7,479	9,518
Travel and lodging	717	951	1,274	1,742	4,684	4,330	625	9,639	12,402
Postage	1,553	1,308	286	204	3,351	531	4,364	8,246	4,678
Dues and subscriptions	-	-	25	-	25	1,699	490	2,214	3,114
Campaign expenses	-	-	-	-	-	-	13,118	13,118	27,370
Event expenses	-	-	-	-	-	-	47,859	47,859	-
All other expenses	2,437	1,659	413	259	4,768	207	8,101	13,076	10,144
Total	662,941	486,881	394,355	44,630	1,588,807	39,503	125,359	1,753,669	1,849,315

TOTAL EXPENSES BEFORE

DEPRECIATION	1,388,972	834,330	785,832	187,251	3,196,385	434,733	331,986	3,963,104	3,672,593
Depreciation and amortization	84,702	61,336	-	-	146,038	8,024	6,419	160,481	175,159

TOTAL FUNCTIONAL EXPENSES	\$ 1,473,674	\$ 895,666	\$ 785,832	\$ 187,251	\$ 3,342,423	\$ 442,757	\$ 338,405	\$ 4,123,585	\$ 3,847,752
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See accompanying notes to financial statements.

MEN'S SHELTER OF CHARLOTTE, INC.

Statement of Cash Flows

Year Ended June 30, 2018, with prior year comparative totals

	Year Ended June 30,	
	2018	2017
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,406,059	\$ 869,859
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation expense	160,481	175,160
Amortization of loan discount	18,556	17,506
(Increase) in value of beneficial trust	(683)	(819)
Loss on disposal of assets	-	161,868
Contributions restricted for long-term purposes	(2,177,887)	(917,013)
(Increase) decrease in operating assets:		
Receivables	(81,965)	(156,770)
Prepaid expenses	12,810	(8,032)
Other assets	123	5,282
Increase in operating liabilities:		
Accounts payable	44,477	13,808
Payroll liabilities	34,284	25,563
<i>Cash Flows from Operating Activities</i>	<i>416,255</i>	<i>186,412</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(2,982,567)	(274,572)
Accrued construction costs	1,081,077	-
<i>Cash Flows from Investing Activities</i>	<i>(1,901,490)</i>	<i>(274,572)</i>
<u>FINANCING ACTIVITIES</u>		
(Increase) decrease in long-term pledge receivables	275,750	(404,891)
Contributions restricted for long-term purposes	2,177,887	917,013
<i>Cash Flows from Financing Activities</i>	<i>2,453,637</i>	<i>512,122</i>
<i>CHANGE IN CASH</i>	<i>968,402</i>	<i>423,962</i>
<i>CASH, BEGINNING</i>	<i>1,275,214</i>	<i>851,252</i>
<i>CASH, ENDING</i>	<i>\$ 2,243,616</i>	<i>\$ 1,275,214</i>

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2018

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 purpose of sheltering and providing services for men experiencing homelessness.

Programs

The Shelter's main programs include Emergency Shelter, Income Support and Housing Services.

The Shelter operates two emergency shelters, comprised of 410 beds. The shelter offers the basic needs of a bed, meals, showers, laundry services, hygiene items, and access to a supportive staff. Additionally, embedded in one of our two shelters is a Wellness Wing comprised of organizational partnerships to provide substance use, mental illness, and physical healthcare services to guests who have a bed at either shelters.

Income services are led by an employment team who are supplemented by volunteers to shepherd shelter guests through each stage of the employment process. The employment team ensures robust resources and programming are made available in the shelter. The team works one-on-one with shelter guests, cultivates and maintains relationships with employers, builds partnerships with other community workforce development agencies, assists with employment connections, and implements a transportation plan to employment interviews and placements. The team also refers and coordinates services with other appropriate organizations when disability or related subsidized income is warranted for the shelter guest.

Housing services are led by a housing team who offer a few layers of assistance. The team provides daily "walk-up services," to provide information, guidance, and referrals to housing options, as well as cultivates and maintains relationships with landlords and property providers, builds partnerships with other community organizations who can assist with educating shelter guests on the tenancy process and financial well-being. Guests at our Tryon campus are assigned a housing specialist who works one-on-one with guests to serve as a guide and advocate on one's path to housing. The Shelter also operates a limited Rapid Rehousing program that can provide a temporary rent subsidy for a guest. A Housing Retention Specialist is assigned to those guests to ensure they appropriately access other community resources once moved into housing.

In addition to the above, the Shelter also operates an Overflow component. During the winter months (December 1 - March 31), the Shelter offers Winter Weather Overflow, offering up to 50 mats for overnight shelter. In extreme cases (extreme cold, precipitation, etc.), the Shelter will allow for an additional 100 mats for overnight shelter. In these events, Overflow guests are not enrolled in the shelter, do not have an assigned bed, and are unable to access the Wellness, Income/Employment and Housing Services. Overflow may also be offered at other times throughout the year, depending on weather or other extraordinary community events.

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Levels of service

For the year ended June 30, 2018, the Shelter's records indicate that it provided the following levels of service.

- Delivered basic needs to an average of 330 homeless men each night
- Provided shelter and access to services focused on ending homelessness to 1,854 different men
- Helped 359 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 \$499,194 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, 2018

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 2017 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, 2018

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 \$4,974 consists of interest earned on bank accounts of \$4,291 and an increase in value of beneficial interest of \$683.

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 maintaining 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, 2018.

Balance, beginning of year	\$ 13,170
Increase in value	683
Balance, end of year	<u>\$ 13,853</u>

MEN'S SHELTER OF CHARLOTTE, INC.**Notes to Financial Statements****June 30, 2018**

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 (\$206,748) and capital campaign (\$922,186). Unconditional promises to give for the capital and annual campaign are presented net of an estimated allowance for doubtful accounts of \$70,013. Management has reviewed its accounts receivable and determined the allowance based on industry practices and current economic conditions. The \$34,058 discount for present value is computed using an interest rate of 2.52 percent based on the U.S. Treasury two-year rate. These pledges are expected to be collected as follows:

2019		\$	560,058
2020			369,649
2021			88,882
2022			59,345
2023 and thereafter			<u>51,000</u>
Total Promises to Give			1,128,934
Deduct:			
Allowance for doubtful accounts	\$	70,013	
Present value discount		<u>34,058</u>	<u>104,071</u>
NET PLEDGES			<u>\$ 1,024,863</u>

Net pledges receivable are presented in the accompanying financial statements as current of \$516,871 and long-term of \$507,992.

MEN'S SHELTER OF CHARLOTTE, INC.**Notes to Financial Statements****June 30, 2018**

NOTE 6 – PROPERTY AND EQUIPMENTBalance at June 30, 2018

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, 2018 is composed of the following:

Equipment	\$	567,503
Vehicles		65,832
Building improvements		2,346,240
Buildings		2,092,019
Construction in process		2,782,706
Land		174,090
		<hr/>
Total Property and Equipment		8,028,390
Less - accumulated depreciation and amortization		3,222,606
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TOTAL	\$	<u>4,805,784</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, 2018 were restricted to be used for the following purposes:

Time restrictions:			
United Way	\$	325,000	
City of Charlotte loan discount		172,157	
Pledge campaign		<u>989,264</u>	\$ 1,486,421
Unutilized funds:			
Capital campaign			<u>63,537</u>
TOTAL	\$		<u>1,549,958</u>

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2018

NOTE 8 – NOTES PAYABLE

Notes payable of \$1,134,147 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 \$327,843 with an original principal balance of \$500,000, which is presented net of a present value discount of \$172,157. 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 \$18,556 was recognized during the year ended June 30, 2018.

NOTE 9 – LEASES PAYABLE

Operating leases

The Shelter leases office equipment under operating lease agreements. Lease payments made for the year ended June 30, 2018 were \$12,248. Future minimum obligations under the terms of these leases are due during the years ending June 30:

2019	\$	11,066
2020		11,066
2021		<u>11,066</u>
TOTAL	\$	<u>33,198</u>

MEN'S SHELTER OF CHARLOTTE, INC.

Notes to Financial Statements

June 30, 2018

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, 2018, 20 percent of receivables was provided by United Way of Central Carolinas, Inc.

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, 2018, the uninsured balance was \$1,582,863. However, management believes that the risk related to the accounts is minimal due to the credit worthiness of the financial institutions.

NOTE 11 – CONSTRUCTION COMMITMENTS

As of June 30, 2018, the Shelter had entered into binding contracts for a renovation to its main facility. Upon acceptable completion of this renovation, the Shelter will owe an additional \$2,165,900.

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, the following events occurred that were significant:

- The Shelter entered into a note agreement with a local financial institution and currently owes \$1,280,000 as of the report date.
- The Shelter received a grant for \$500,000 for renovation to the Shelter. The Shelter must utilize it as a homeless shelter for 25 years or they are required to repay the funds.
- The Shelter entered into a non-interest bearing promissory note for \$420,000 with the Federal Home Loan Bank of Atlanta, which only requires repayment if the Shelter ceases to exist within 15 years of the note.