CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children and Family Services Center, Inc.
Charlotte, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Children and Family Service Center, Inc. (the Center), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
November 9, 2022

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 2,970,806	$ 149,364	$ 3,120,170
Current Portion of Accounts and Grants Receivable	124,923	95,000	219,923
Deferred Rent Receivable	30,933	-	30,933
Deferred Tenant Improvement	20,684	-	20,684
Other Receivables and Prepaid Assets	162,481	-	162,481
Bargain Use of Land	-	16,800	16,800
Total Current Assets	3,309,827	261,164	3,570,991
PROPERTY AND EQUIPMENT, NET	7,134,854	-	7,134,854
LONG-TERM ASSETS			
Accounts Receivable, Net of Current Portion	5,977	-	5,977
Deferred Rent Receivable, Net of Current Portion	31,596	-	31,596
Deferred Tenant Improvement, Net of Current Portion	134,446	-	134,446
Utility and Tenants Deposits and Other	8,617	-	8,617
Investments	991,882	-	991,882
Bargain Use of Land, Net of Current Portion	-	492,800	492,800
Total Long-Term Assets	1,172,518	492,800	1,665,318
Total Assets	$ 11,617,199	$ 753,964	$ 12,371,163
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 207,803	$ -	$ 207,803
Current Portion of Notes Payable	220,771	-	220,771
Other Liabilities	135,987	-	135,987
Total Current Liabilities	564,561	-	564,561
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion and Debt Issuance Costs	293,740	-	293,740
Tenant Security Deposits and Other	41,188	-	41,188
Total Long-Term Liabilities	334,928	-	334,928
Total Liabilities	899,489	-	899,489
Total Net Assets	10,717,710	753,964	11,471,674
Total Liabilities and Net Assets	$ 11,617,199	$ 753,964	$ 12,371,163

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 2,693,822	$ 254,962	$ 2,948,784
Accounts Receivable	70,535	340,000	410,535
Deferred Rent Receivable	28,160	-	28,160
Deferred Tenant Improvements	20,684	-	20,684
Other Receivables and Prepaid Assets	109,777	-	109,777
Bargain Use of Land	-	16,800	16,800
Total Current Assets	2,922,978	611,762	3,534,740
PROPERTY AND EQUIPMENT, NET	7,329,209	-	7,329,209
LONG-TERM ASSETS			
Accounts Receivable, Net of Current Portion	11,037	-	11,037
Deferred Rent Receivable, Net of Current Portion	61,614	-	61,614
Deferred Tenant Improvement, Net of Current Portion	155,130	-	155,130
Utility and Tenants Deposits and Other	12,419	-	12,419
Investments	772,045	-	772,045
Bargain Use of Land, Net of Current Portion	-	509,600	509,600
Total Long-Term Assets	1,012,245	509,600	1,521,845
Total Assets	$ 11,264,432	$ 1,121,362	$ 12,385,794
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 225,202	$ -	$ 225,202
Current Portion of Notes Payable	214,274	-	214,274
Other Liabilities	106,245	-	106,245
Total Current Liabilities	545,721	-	545,721
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion and Debt Issuance Costs	509,658	-	509,658
Tenant Security Deposits and Other	44,596	-	44,596
Total Long-Term Liabilities	554,254	-	554,254
Total Liabilities	1,099,975	-	1,099,975
Total Net Assets	10,164,457	1,121,362	11,285,819
Total Liabilities and Net Assets	$ 11,264,432	$ 1,121,362	$ 12,385,794

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL ACTIVITY			
Member Agency Tenants	$ 3,506,895	$ -	$ 3,506,895
Other Tenants	150,034	-	150,034
Technical Support Income	232,830	-	232,830
Member Agency Tenants Computer Lease Income	61,235	-	61,235
Total	3,950,994	-	3,950,994
SHARED SERVICES	2,295,106	-	2,295,106
SUPPORT AND OTHER			
Contributions of Cash and Other Financial Assets	3,301	654,999	658,300
Contributions of Nonfinancial Assets	39,946	-	39,946
Other	20,328	-	20,328
Loss on Disposal of Property and Equipment	(175,631)	-	(175,631)
Gain on Termination of Tenant Lease	29,415	-	29,415
Investment Loss	(30,892)	-	(30,892)
	6,132,567	654,999	6,787,566
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	1,022,397	(1,022,397)	-
Total Rental, Shared Services Support, and Other	7,154,964	(367,398)	6,787,566
EXPENSES			
Program Services			
Building	2,853,466	-	2,853,466
Collaboration	2,609,249	-	2,609,249
Fiscal Sponsorships	1,020,795	-	1,020,795
Total Program Services	6,483,510	-	6,483,510
Supporting Services			
Management and General	118,201	-	118,201
Total Expenses	6,601,711	-	6,601,711
CHANGE IN NET ASSETS	553,253	(367,398)	185,855
Net Assets - Beginning of Year	10,164,457	1,121,362	11,285,819
NET ASSETS - END OF YEAR	$ 10,717,710	$ 753,964	$ 11,471,674

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL ACTIVITY			
Member Agency Tenants	$ 3,483,905	$ -	$ 3,483,905
Other Tenants	135,827	-	135,827
Technical Support Income	164,255	-	164,255
Member Agency Tenants Computer Lease Income	102,420	-	102,420
Total	3,886,407	-	3,886,407
SHARED SERVICES	1,541,390	-	1,541,390
SUPPORT AND OTHER			
Contributions of Cash and Other Financial Assets	711	818,937	819,648
Contributions of Nonfinancial Assets	36,898	-	36,898
Other	17,647	-	17,647
Forgiveness of Debt	291,773	-	291,773
Investment Income	31,642	-	31,642
	5,806,468	818,937	6,625,405
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	621,565	(621,565)	-
Total Rental, Shared Services, Support, and Other	6,428,033	197,372	6,625,405
EXPENSES			
Program Services			
Building	2,840,029	-	2,840,029
Collaboration	2,168,712	-	2,168,712
Fiscal Sponsorships	617,792	-	617,792
Total Program Services	5,626,533	-	5,626,533
Supporting Services			
Management and General	53,769	-	53,769
Total Expenses	5,680,302	-	5,680,302
CHANGE IN NET ASSETS	747,731	197,372	945,103
Net Assets - Beginning of Year	9,416,726	923,990	10,340,716
NET ASSETS - END OF YEAR	$ 10,164,457	$ 1,121,362	$ 11,285,819

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services					
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Totals 2022
Personnel - Wages, Taxes, and Benefits	$ 92,870	$ 2,103,164	$ 7,871	$ 2,203,905	$ 69,584	$ 2,273,489
Professional Services - Finance and Accounting	-	61,983	190	62,173	20,118	82,291
Professional Services - Human Resources and Other	1,002	117,523	-	118,525	167	118,692
Professional Services - Legal (In-Kind $34,806)	24,478	10,328	-	34,806	-	34,806
Office Expense (In-Kind $5,140)	12,907	8,302	-	21,209	3,916	25,125
Information Technology	-	198,141	-	198,141	-	198,141
Occupancy	577,160	1,850	-	579,010	-	579,010
Interest	19,198	14	-	19,212	-	19,212
Travel	-	-	-	-	11	11
Conferences, Meetings, Training	956	20,034	-	20,990	141	21,131
Depreciation and Amortization	351,802	54,267	-	406,069	-	406,069
Insurance	54	25,279	-	25,333	22,805	48,138
Dues and Memberships	303	5,274	-	5,577	675	6,252
Communications and Public Awareness	-	2,669	-	2,669	784	3,453
Program Support	-	421	1,012,734	1,013,155	-	1,013,155
Rent Credits to Member Agencies	1,772,736	-	-	1,772,736	-	1,772,736
Total	$ 2,853,466	$ 2,609,249	$ 1,020,795	$ 6,483,510	$ 118,201	$ 6,601,711

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services					
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Totals 2021
Personnel - Wages, Taxes, and Benefits	$ 83,248	$ 1,811,038	$ 3,766	$ 1,898,052	$ 30,702	$ 1,928,754
Professional Services - Finance and Accounting	-	50,234	160	50,394	13,983	64,377
Professional Services - Human Resources and Other	138	80,359	8,325	88,822	183	89,005
Professional Services - Legal (In-Kind $8,732)	7,124	1,608	-	8,732	-	8,732
Office Expense (In-Kind $28,166)	35,313	6,954	-	42,267	3,824	46,091
Information Technology	-	123,701	-	123,701	225	123,926
Occupancy	619,195	-	-	619,195	-	619,195
Interest	32,136	-	-	32,136	2,473	34,609
Travel	-	106	-	106	-	106
Conferences, Meetings, Training	534	12,069	-	12,603	-	12,603
Depreciation and Amortization	337,811	55,112	-	392,923	-	392,923
Insurance	19,598	19,173	-	38,771	1,389	40,160
Dues and Memberships	302	6,259	-	6,561	202	6,763
Communications and Public Awareness	326	2,099	-	2,425	788	3,213
Program Support	-	-	605,541	605,541	-	605,541
Rent Credits to Member Agencies	1,704,304	-	-	1,704,304	-	1,704,304
Total	$ 2,840,029	$ 2,168,712	$ 617,792	$ 5,626,533	$ 53,769	$ 5,680,302

See accompanying Notes to Consolidated Financial Statements.

CHILDREN AND FAMILY SERVICES CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 185,855	$ 945,103
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	384,392	372,752
Amortization - Bargain Use of Land	16,800	16,800
Amortization - Tenant Improvement	20,684	19,535
Amortization - Debt Issuance Costs	4,877	3,371
Loss on Sale of Property	175,631	-
Realized and Unrealized (Gain) Loss on Investments, Net	38,570	(15,594)
Forgiveness of Debt	-	(291,773)
Increase in Accounts Receivable and Deferred Rent Receivable	222,917	(69,258)
Decrease in Other Receivables and Prepaid Assets	(52,704)	(9,040)
Decrease in Tenant Security Deposits and Other	394	300
Increase in Accounts Payable and Other Liabilities	12,343	31,997
Net Cash Provided by Operating Activities	1,009,759	1,004,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(365,668)	(236,482)
Acquisition of Investments	(258,407)	-
Net Cash Used by Investing Activities	(624,075)	(236,482)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(214,298)	(204,603)
Payment of Financing Costs	-	(8,099)
Net Cash Used by Financing Activities	(214,298)	(212,702)
NET INCREASE IN CASH AND CASH EQUIVALENTS	171,386	555,009
Cash and Cash Equivalents - Beginning of Year	2,948,784	2,393,775
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,120,170	$ 2,948,784
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	$ 19,212	$ 32,136

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Children and Family Services Center, Inc. and its wholly owned subsidiary, CFSC Shared Services, LLC (together, the Center) are private nonprofit enterprises which operate an office building with approximately 100,000 square feet (the Carol Grotnes Belk Children and Family Services Center). The building is for the principal use of 12 nonprofit member agencies who lease approximately 90% of the available space. Other for-profit, nonprofit, and governmental tenants also lease space in the building. The Center provides the following services:

- Building - Rental services to all tenants with the full range of services normally associated with commercial office space. In addition, member agencies are provided affordable office space at below market rates as well as meeting space and conference rooms.

- Collaboration - Collaborative Services to member agencies allowing for efficiencies in the sharing of administration services including technology and technology support, human resources and health, welfare and retirement benefits, and finance and accounting. Moreover, programmatic collaboration is facilitated and supported.

- Fiscal Sponsorships - The Center provides fiscal sponsorship services to unincorporated groups whose missions and causes are aligned with the Center's mission. Fiscal Sponsorship allows individuals and groups to organize around societal concerns, conduct charitable activities, and receive tax-exempt grants and donations without building a full organizational infrastructure or receiving a formal 501(c)(3) nonprofit status from the Internal Revenue Service (IRS). This enhances the Center's, as well as the nonprofit sector's, flexibility, efficiency, effectiveness, and innovation.

In the event the building is disposed of at any point in the future, any net proceeds, after settlement of all liabilities, are to be distributed to a 501(c)(3) organization qualifying under Section 170(c)(2) of the Internal Revenue Code (IRC). Should this fail to occur, any net proceeds are to be distributed to governmental agencies as appropriate for a public purpose.

The member agencies are nonprofit organizations who serve different needs of similar clients. These agencies came together with the Center to form synergies in the delivery of their respective services. As member agencies, they receive rent credits and services not found in normal tenant arrangements. In addition, member agencies have representation on the Board of Directors of the Center.

Principles of Consolidation

The consolidated financial statements include the accounts of Children and Family Services Center, Inc. and its wholly owned subsidiary, CFSC Shared Services, LLC, which was organized as a North Carolina Limited Liability Company on September 25, 2008. All significant inter-organizational transactions have been eliminated in consolidation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statement 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 (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time.

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

Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958)*, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which increases transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities. This new standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and to disclose information regarding the measurement of the nonfinancial assets. Required disclosures include whether the contributions were monetized or utilized during the reporting period, a description of the valuation technique used to determine a fair value measure, and a description of any donor-imposed restrictions associated with the contribution. The Center's adoption of this new guidance only resulted in additional disclosures being added to the financial statements.

Recent Accounting Pronouncement Not Yet Adopted

In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842).* The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing Key information about leasing arrangements. The guidance is required to be applied by the Center for the year ending June 30, 2023. The Center is currently evaluating the effect that the standard will have on the consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Support

Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor-imposed stipulations. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions whose conditions are met in the same reporting period in which they are received are reported as unconditional contributions.

Grants and Purchased Services

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

Income Taxes

Children and Family Services Center, Inc. is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the IRC and is not classified as a private foundation. CFSC Shared Services, LLC is a single-member Limited Liability Company which does not have separate tax reporting status.

The Center’s income tax returns are subject to review and examination by federal, state, and local authorities. The Center is not aware of any activities that would jeopardize its tax-exempt status.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Generally accepted accounting principles require the Center 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 tax authorities, based on the technical merits of the position. Management believes the Center has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Cash and Cash Equivalents

Funds invested on a daily basis in highly liquid instruments having immediate availability are classified as cash and cash equivalents for purposes of the consolidated statements of cash flows, which are presented on the indirect method. The Center maintains bank accounts at various financial institutions covered by the Federal Deposits Insurance Company (the FDIC). At times throughout the year, the Center may maintain bank account balances in excess of the FDIC insured limit; however, management believes they are not exposed to any significant cash credit risk.

Accounts Receivable

Accounts receivable consist of amounts due from third parties as of June 30, 2022 and 2021 and are presented at its net realizable value. No allowance for bad debt has been provided.

Investments

The Organization has included in these consolidated financial statements the fair value of investments and related income earned on certain funds held in trust solely for the benefit of the Organization.

Property and Equipment

Property and equipment with a value of $1,000 or more is recorded at cost if purchased or estimated fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. When property and equipment are retired, their costs and related allowances for depreciation are removed from the accounts. Any resulting gains or losses are recognized in the consolidated statements of activities.

Depreciation is computed by the straight-line method over the shorter of the estimated economic life or lease term for the respective asset held, which are as follows:

Building and Components	5 to 50 Years
Furniture, Fixtures, and Equipment	3 to 7 Years

Depreciation expense was approximately $384,000 and $373,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Tenant Improvement

Deferred tenant improvement is included on the consolidated statements of financial position and consists of payments to tenants for improvements as an incentive for signing a lease. These amounts will be amortized over the length of the lease.

Deferred Rent Revenue

Deferred rent revenue included in other liabilities on the consolidated statements of financial position consists of rent payments which have been prepaid by tenants. These amounts will be recognized as revenue in the period in which they are earned.

Debt Issuance Costs

The Center presents debt issuance costs as a direct deduction from the face amount of the related borrowings, amortizes debt issuance costs using the effective interest method over the life of the debt, and records the amortization as a component of depreciation and amortization.

Contributed Nonfinancial Assets

The Center recognized contributed nonfinancial assets within revenue, including donated materials and services, as further described below. Contributed nonfinancial assets did not have donor-imposed restrictions.

Donated Materials and Services

Donated materials and equipment, when significant, are reflected as contributions at estimated fair value at the time of receipt. Donated services, when significant and measurable as to value, are reflected as contributions when provided. Certain professional services are donated by various attorneys in the Center's service area. The donated professional services amount has been valued at approximately $35,000 and $9,000 for the years ended June 30, 2022 and 2021, respectively, and have been included in program services within the accompanying statements of functional expenses. Such services are valued and are reported at the estimated fair value based on current rates for similar legal services. The donated materials primarily relate to various donated office supplies. These donated materials have been valued at approximately $5,000 and $28,000 for the years ended June 30, 2022 and 2021, respectively, and have been included in program services within the accompanying statements of functional expenses. Such materials are valued and are reported at the estimated fair value based on estimates of wholesale values that would be received for selling similar products.

In addition, many volunteers, including officers and directors of the Center, donate their time in program, support, and fundraising. However, no amounts have been reflected in the consolidated financial statements for these services as they do not meet the criteria for recognition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

The Center rents office space to 12 nonprofit member agencies at a rate below market. The difference in the rent at market rate and the actual rent charged is reflected as donated use of facilities in Member Agency Tenants Revenue and Building Program Expenses on the Center's consolidated statements of activities. For the years ended June 30, 2022 and 2021, these amounts were calculated using the difference between the office space rent at the estimated market rate and the actual rent charged for the office space (excluding the amount charged for technology and collaborative services) and were approximately $1,773,000 and $1,704,000, respectively.

Fair Value of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Center may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. The Center did not have any nonfinancial assets or liabilities measured on a recurring or nonrecurring basis as of June 30, 2022 or 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses not associated with a specific functional classification are allocated among the various classifications based upon the natural classification of each functional classification (program, management and general, and fundraising) by the Center. Certain jointly incurred costs are allocated to the various functional classifications based on management's estimate of how such costs were utilized.

Revenue Recognition

The Center recognizes the rental income monthly as earned, which is not materially different than on a straight-line basis.

Risks and Uncertainties

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Center's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Center is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

Subsequent Events

In preparing these consolidated financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through November 9, 2022, the date the consolidated financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows at June 30:

	2022	2021
Buildings and Components	$ 11,363,725	$ 11,278,041
Furnitures, Fixtures, and Equipment	2,579,663	2,556,259
Subtotal	13,943,388	13,834,300
Less: Accumulated Depreciation	(6,808,534)	(6,505,091)
Total	$ 7,134,854	$ 7,329,209

At June 30, 2022, the Center had two contracts related to the renovation of office space and the remaining commitment on these contracts was approximately $60,000.

NOTE 4 GROUND LEASE ARRANGEMENT

The Center has an operating lease agreement with the City of Charlotte for the land on which its building is constructed (see Note 5). The lease term began January 1, 2003, and expires December 31, 2052. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Total
2023	$ 140,000
2024	140,000
2025	140,000
2026	140,000
2027	140,000
Thereafter	3,570,000
Total	$ 4,270,000

Unless extended by the City of Charlotte and the Center, the premises will be transferred to the City of Charlotte upon the termination of the lease.

NOTE 5 BARGAIN USE OF LAND

In 2003, the Center completed its building which is built on land leased from the City of Charlotte (see Note 4). The lease agreement provides for rent at $140,000 per year (which represented a 41.67% discount from fair market value at inception) for a period of 50 years, expiring December 31, 2052.

The bargain portion of this lease arrangement is made up of the following at June 30:

Description	2022	2021
Estimated fair value of the bargain use of land, net of present-value discount, using the long-term U.S. Treasury rate at inception of the lease (5.01%), for a period of 50 years, capped so as not to exceed the fair market value of land leased	$ 833,000	$ 833,000
Less: Accumulated straight-line amortization at $16,800 per year, beginning April 1, 2003	(323,400)	(306,600)
Total	$ 509,600	$ 526,400

NOTE 6 INVESTMENTS

Investments at June 30 consisted of the following:

	2022	2021
Certificates of Deposit	$ 247,770	$ 251,678
Mutual Funds	744,112	520,367
Total Investments	$ 991,882	$ 772,045

The Organization's investments are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying statements of financial position.

The following is a summary of investment income and losses for the year ended June 30:

	2022	2021
Interest and Dividends, Net of Fees	$ 22,607	$ 24,611
Net Change in Fair Value of Investments, Including Realized and Unrealized Gains	(53,499)	7,031
Investment (Loss) Income, Net	$ (30,892)	$ 31,642

NOTE 7 NOTES PAYABLE

The Center has two promissory notes (the Promissory Notes) that bore an interest rate of 3.95% and expire in October 2024. During the year ended June 30, 2021, the terms of the Promissory Notes were modified to lower the monthly payment and reduce the interest rate. The maturity date on the Promissory Notes were unchanged.

In May 2020, the Center entered into a new unsecured promissory note (the Note) with a lender in the amount of $289,300 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the Small Business Administration (SBA). Under the terms of the agreement, the Note bears an interest rate of 1.0% and was to be repaid in 18 monthly installments of $16,281 beginning in November 2020. As of June 30, 2021, the SBA has formally forgiven the Center's obligation under this Note, and as such, has recognized approximately $292,000 comprised of approximately $289,000 of principal and $2,000 of accrued interest as forgiveness of debt on the accompanying consolidated statement of activities for the year ended June 30, 2021.

NOTE 7 NOTES PAYABLE (CONTINUED)

The Notes are comprised of the following at June 30:

Description	2022	2021
Promissory note due October 2024, payable in equal monthly principal installments of $9,815, including interest at a rate of 2.95%, collateralized by the Center's building	$ 265,099	$ 373,563
Promissory note due October 2024, payable in equal monthly principal installments of $9,643, including interest at a rate of 2.95%, collateralized by the Center's building	260,605	366,439
Total	525,704	740,002
Less: Current Portion	(220,771)	(214,274)
Less: Debt Issuance Costs	(11,193)	(16,070)
Total Notes Payable, Net	$ 293,740	$ 509,658

Annual principal payments due on the Notes Payable are as follows:

Year Ending June 30,	Notes
2023	$ 220,771
2024	227,466
2025	77,467
Total	$ 525,704

NOTE 8 REVOLVING CREDIT LINE

The Center has a line of credit in the amount of $250,000 with a financial institution. Any future borrowings will become due and payable on December 18, 2024, with an interest rate equal to the Wall Street Journal Prime Rate plus 0.5% (with a floor of 3.5%) and is collateralized by the Center’s building. The rate in effect at June 30, 2022 and 2021 was 2.95% and 3.75%, respectively. The Center had no amounts outstanding on its revolving line of credit as of June 30, 2022 and 2021.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent the amount of the bargain use of land from the City of Charlotte and contributions for fiscal sponsorships. Net assets with donor restrictions consisted of the following at June 30:

	2022	2021
Purpose Restricted:		
Bargain Use of Land	$ 509,600	$ 526,400
Bilingual Education Programs of La Escuelita San Marcos	15,955	27,163
Nonprofit Training Programs of Next Stage Consulting	573	723
Education Programs of Latin American Chamber of Charlotte	-	998
Child Abuse Awareness Programs of Meck4Kids	4,997	4,886
Community Building Through Publishing a Local Newspaper	-	73,441
Living Libraries	18,959	23,985
Independence for Adults	13,058	13,058
Ucity Family Zone	30,706	34,161
Home Owners Impact Fund	-	43,600
Restorative Justice	689	14,888
The Bulb Gallery	-	434
Beatties Ford Road Vocational Trade Center	-	891
Block Love Charlotte	39,307	7,141
Hope Vibes	25,000	-
Theatre Gap Initiative	120	9,593
Time Restricted:		
Ucity Family Zone	-	110,000
The Bulb Gallery	50,000	80,000
Hope Vibes	25,000	12,500
Beatties Ford Road Vocational Trade Center	-	12,500
Block Love Charlotte	20,000	32,500
Akses	-	92,500
Total	$ 753,964	$ 1,121,362

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restrictions consisted of the following for the years ended June 30:

	2022	2021
Purpose Restricted Releases:		
Bargain Use of Land	$ 16,800	$ 16,800
Community Building through Art Programs of AboutFace CLT	-	16,570
Nonprofit Training Programs of Next Stage Consulting	50,151	49,674
Bilingual Education Programs of La Escuelita San Marcos	19,212	26,343
Education Programs of Latin American Chamber of Charlotte	200,998	200,200
Child Abuse Awareness Programs of Meck4Kids	389	731
A Nonprofit Executive Directors Association	-	2,715
Living Libraries	27,426	20,697
Independence for Adults	-	2,563
Ucity Family Zone	113,901	75,839
Community Building through Publishing a Local Newspaper	73,441	18,186
Homeowners Impact Fund	47,710	98,528
Restorative Justice	14,700	19,779
The Bulb Gallery	130,434	39,566
Hope Vibes	12,500	12,500
Beatties Ford Road Vocational Trade Center	60,206	11,609
Block Love Charlotte	35,729	5,360
Theatre Gap Initiative	126,300	3,840
Akses	92,500	-
Other	-	65
Total	$ 1,022,397	$ 621,565

NOTE 10 TENANT LEASES

The Center has lease agreements with 12 nonprofit member agencies and other tenants. The aggregate annual rental payments to be received under these agreements subsequent to June 30, 2022 are as follows:

Year Ending June 30,	Member Agency Tenants	Other Tenants	Total
2023	$ 1,971,211	$ 159,010	$ 2,130,221
2024	1,455,594	126,542	1,582,136
2025	1,303,658	91,167	1,394,825
2026	1,192,951	85,340	1,278,291
2027	1,145,683	87,880	1,233,563
Thereafter	3,588,223	7,341	3,595,564
Total	$ 10,657,320	$ 557,280	$ 11,214,600

NOTE 10 TENANT LEASES (CONTINUED)

The lease payments can be changed at the Center's discretion. Member agency tenants may renew their leases for three additional ten-year periods, and a fourth period ending December 31, 2052, which is the termination date of the ground lease with the City of Charlotte (see Notes 4 and 5).

NOTE 11 RETIREMENT PLANS

The Center has a defined contribution retirement savings plan (the Plan) which covers all full-time and part-time employees of the Center who meet minimum eligibility requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Each year, participants may contribute up to 85% of their annual compensation on a pre-tax basis not to exceed $19,500, as well as a catch-up provision that allows participants older than 50 years of age to contribute an additional $6,500, as specified by the IRS for the calendar year 2021, beginning the first day of the quarter following date of hire. The Center contributes a matching contribution of 100% of the first 1% of base compensation that a participant contributes and 50% of the next 5% that a participant contributes. The Center's contributions to the Plan for the years ended June 30, 2022 and 2021 were approximately $13,000 and $39,000, respectively.

On March 9, 2011, the Center established a nonqualified deferred compensation plan (the Deferred Compensation Plan) under section 457(b) of the IRC, for the benefit of a select group of its management or highest compensated employees. The Deferred Compensation Plan was effective retrospectively to January 1, 2011. In connection with the Deferred Compensation Plan, a rabbi trust was established to provide assets to pay all or a portion of the benefits accrued under the Deferred Compensation Plan. As of June 30, 2022 and 2021, there was one participant in the Deferred Compensation Plan each year. The Center made no deposits to the trust for the years ended June 30, 2022 and 2021.

NOTE 12 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organizations measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities measured at fair value on a recurring basis as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 991,882	$ -	$ -	$ 991,882
Total	$ 991,882	$ -	$ -	$ 991,882

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ 251,678	$ -	$ -	$ 251,678
Mutual Funds	520,367	-	-	520,367
Total	$ 772,045	$ -	$ -	$ 772,045

NOTE 13 LIQUIDITY AND AVAILABILITY

The Center has a reserve policy to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The target minimum of the reserve fund is equal to six months of average operating expenses, plus one year of capital expenditures, and one year of projected principal payments. This policy is aspirational and the reserve goal is meant to be a guideline, not a requirement. The Center receives revenue through rental income and professional services contracts.

The following table reflects the Center's financial assets available within one year of the statements of financial position for general expenditures as of June 30:

	2022	2021
Cash and Cash Equivalents	$ 2,970,806	$ 2,693,822
Accounts Receivable	124,923	70,535
Deferred Rent Receivable	30,933	28,160
Other Receivables	16,408	18,260
Total Net Financial Assets Available to Meet Liquidity Needs	$ 3,143,070	$ 2,810,777

The Center also has a line of credit, of $250,000, available to meet short-term needs. See Note 8 for information about the arrangement.