Ascend Nonprofit Solutions, Inc and Subsidiary

Financial Statements

June 30, 2023

FOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ascend Nonprofit Solutions, Inc. and Subsidiary
Charlotte, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Ascend Nonprofit Solutions, Inc. and Subsidiary (the "Center" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ascend Nonprofit Solutions, Inc. and Subsidiary as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascend Nonprofit Solutions, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 purposes of expressing an opinion on the effectiveness of Ascend Nonprofit Solutions, Inc. and Subsidiary'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 Ascend Nonprofit Solutions, Inc. and Subsidiary'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.

Prior Period Financial Statements
The Center's consolidated financial statements as of June 30, 2022, were audited by other auditors whose reported dated November 9, 2022, expressed an unmodified opinion on those statements.

Foard & Company, P.A.
September 20, 2023

Ascend Nonprofit Solutions, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,194,467	$ 79,289	$ 2,273,756
Investments	1,528,018	-	1,528,018
Current portion of accounts and grants receivable	317,885	63,500	381,385
Deferred rent receivable	40,144	-	40,144
Deferred tenant improvement	32,584	-	32,584
Other receivables and prepaid assets	152,406	-	152,406
Bargain use of land	-	16,800	16,800
Total Current Assets	***4,265,504***	***159,589***	***4,425,093***
Property and equipment, net	7,202,383	-	7,202,383
Long-Term Assets:			
Accounts receivable, net of current portion	459	-	459
Deferred tenant improvement, net of current portion	211,937	-	211,937
Utility and tenants deposits and other investments	9,409	-	9,409
Intangible asset - website	16,169	-	16,169
Operating lease right-of-use asset	2,721,880	-	2,721,880
Bargain use of land, net of current portion	-	476,000	476,000
Total Long-Term Assets	***2,959,854***	***476,000***	***3,435,854***
TOTAL ASSETS	***$ 14,427,741***	***$ 635,589***	***$ 15,063,330***
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	$ 146,689	$ -	$ 146,689
Current portion of notes payable	227,465	-	227,465
Current portion of right-of-use operating lease liability	56,513	-	56,513
Deferred revenue	86,279	-	86,279
Total Current Liabilities	***516,946***	***-***	***516,946***
Long-Term Liabilities:			
Notes payable, net of current portion and debt issuance costs	70,498	-	70,498
Right-of-use operating lease liability, net of current	2,665,366	-	2,665,366
Tenant security deposits and other	41,980	-	41,980
Total Long-Term Liabilities	***2,777,844***	***-***	***2,777,844***
Total Liabilities	***3,294,790***	***-***	***3,294,790***
Total Net Assets	***11,132,951***	***635,589***	***11,768,540***
TOTAL LIABILITIES AND NET ASSETS	***$ 14,427,741***	***$ 635,589***	***$ 15,063,330***

Ascend Nonprofit Solutions, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,970,806	$ 149,364	$ 3,120,170
Investments	991,882	-	991,882
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	***4,301,709***	***261,164***	***4,562,873***
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 investments	8,617	-	8,617
Operating lease right-of-use asset	2,776,665	-	2,776,665
Bargain use of land, net of current portion	-	492,800	492,800
Total Long-Term Assets	2,957,301	***492,800***	***3,450,101***
TOTAL ASSETS	***$ 14,393,864***	***$ 753,964***	***$ 15,147,828***
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	$ 207,803	$ -	$ 207,803
Current portion of notes payable	220,771	-	220,771
Current portion of right-of-use operating lease liability	54,785	-	54,785
Other liabilities	135,987	-	135,987
Total Current Liabilities	***619,346***	***-***	***619,346***
Long-Term Liabilities:			
Notes payable, net of current portion and debt issuance costs	293,740	-	293,740
Right-of-use operating lease liability, net of current	2,721,880	-	2,721,880
Tenant security deposits and other	41,188	-	41,188
Total Long-Term Liabilities	***3,056,808***	***-***	***3,056,808***
Total Liabilities	***3,676,154***	***-***	***3,676,154***
Total Net Assets	***10,717,710***	***753,964***	***11,471,674***
TOTAL LIABILITIES AND NET ASSETS	***$ 14,393,864***	***$ 753,964***	***$ 15,147,828***

Ascend Nonprofit Solutions, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL ACTIVITY			
Member agency tenants	$ 4,026,785	$ -	$ 4,026,785
Other tenants	158,607	-	158,607
Technical support income	315,230	-	315,230
Total Rental Activity	***4,500,622***	***-***	***4,500,622***
SHARED SERVICES	***2,506,122***	***-***	***2,506,122***
SUPPORT AND OTHER			
Contributions of cash and other financial assets	1,500	535,679	537,179
Contributions of nonfinancial assets	14,171	-	14,171
Other	91,115	-	91,115
Loss on disposal of property and equipment	(3,795)	-	(3,795)
Investment income	28,812	-	28,812
Total Support and Other	***131,803***	***535,679***	***667,482***
Net assets released from restriction:			
Satisfaction of purpose restrictions	654,054	(654,054)	-
Total Revenue	***7,792,601***	***(118,375)***	***7,674,226***
EXPENSES			
Program Services:			
Building	3,197,932	-	3,197,932
Collaboration	3,262,866	-	3,262,866
Fiscal sponsorships	647,118	-	647,118
Total Program Services	***7,107,916***	***-***	***7,107,916***
Supporting Services:			
Management and general	74,606	-	74,606
Fundraising	194,838	-	194,838
Total Expenses	***7,377,360***	***-***	7,377,360
CHANGE IN NET ASSETS	***415,241***	***(118,375)***	***296,866***
NET ASSETS, BEGINNING	***10,717,710***	***753,964***	***11,471,674***
NET ASSETS, ENDING	***$ 11,132,951***	***$ 635,589***	***$ 11,768,540***

Ascend Nonprofit Solutions, 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 Rental Activity	***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)
Total Support and Other	***(113,533)***	***654,999***	***541,466***
Net assets released from restriction:			
Satisfaction of purpose restrictions	1,022,397	(1,022,397)	-
Total Revenue	***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	***10,164,457***	***1,121,362***	***11,285,819***
NET ASSETS, ENDING	***$ 10,717,710***	***$ 753,964***	***$ 11,471,674***

Ascend Nonprofit Solutions, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services				Supporting Services		
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Fundraising	2023 Totals
Personnel - Wages, taxes and benefits	$ 76,784	$ 2,597,924	$ 11,283	$ 2,685,991	$ 23,404	$ 140,409	$ 2,849,804
Professional services - Finance and accounting	-	29,208	-	29,208	16,235	-	45,443
Professional services - Human Resources and other	426	211,048	230	211,704	4,458	42,642	258,804
Professional services - Legal (In-Kind $14,171)	4,928	9,244	-	14,172	-	-	14,172
Office expense	7,533	8,614	-	16,147	1,065	3,277	20,489
Information technology	-	303,262	-	303,262	-	-	303,262
Occupancy	646,040	4,404	-	650,444	-	-	650,444
Interest	12,070	-	-	12,070	-	-	12,070
Travel	-	33	-	33	-	499	532
Conferences, meetings and training	1,876	17,781	241	19,898	-	543	20,441
Depreciation and amortization	366,074	39,502	-	405,576	-	-	405,576
Insurance	-	27,199	-	27,199	29,444	907	57,550
Dues and memberships	331	7,816	-	8,147	-	543	8,690
Communications and public awareness	-	5,794	-	5,794	-	6,018	11,812
Program support	-	1,037	635,364	636,401	-	-	636,401
Event expenses	-	-	-	-	-	10,755	10,755
Rent credits to member agencies	2,081,870	-	-	2,081,870	-	-	2,081,870
TOTAL EXPENSES	***3,197,932***	***3,262,866***	***647,118***	***7,107,916***	***74,606***	***205,593***	***7,388,115***
Deduct - special events costs deducted from revenue	-	-	-	-	-	(10,755)	(10,755)
EXPENSES, NET	***$ 3,197,932***	***$ 3,262,866***	***$ 647,118***	***$ 7,107,916***	***$ 74,606***	***$ 194,838***	***$ 7,377,360***

Ascend Nonprofit Solutions, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Supporting Services		
	Building	Collaboration	Fiscal Sponsorships	Totals	Management and General	Fundraising	2022 Totals
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 $5,140)	12,907	8,302	-	21,209	3,916	-	25,125
Information technology	-	198,141	-	198,141	-	-	198,141
Occupancy	577,160	1,850	-	579,010	-	-	579,010
Interest	19,198	14	-	19,212	-	-	19,212
Travel	-	-	-	-	11	-	11
Conferences, meetings and training	956	20,034	-	20,990	141	-	21,131
Depreciation and amortization	351,802	54,267	-	406,069	-	-	406,069
Insurance	54	25,279	-	25,333	22,805	-	48,138
Dues and memberships	303	5,274	-	5,577	675	-	6,252
Communications and public awareness	-	2,669	-	2,669	784	-	3,453
Program support	-	421	1,012,734	1,013,155	-	-	1,013,155
Rent credits to member agencies	1,772,736	-	-	1,772,736	-	-	1,772,736
TOTAL EXPENSES	***$ 2,853,466***	***$ 2,609,249***	***$ 1,020,795***	***$ 6,483,510***	***$ 118,201***	***$ -***	***$ 6,601,711***

Ascend Nonprofit Solutions, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Years Ended June 30, 2023 and 2022

	June 30,	
	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 296,866	$ 185,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	369,348	384,392
Amortization - bargain use of land	16,800	16,800
Amortization - tenant improvement	29,609	20,684
Amortization - debt issuance costs	4,878	4,877
Amortization - website	1,740	-
Loss on sale of property	-	175,631
Realized and unrealized (gain) loss on investments, net	166	38,570
Net change in operating assets and liabilities:		
Accounts, grants, and rent receivable	(133,559)	222,917
Other receivables and prepaid expenses	10,075	(52,704)
Tenant improvements	(119,000)	-
Security deposits and other	(792)	394
Accounts payable	(61,114)	(13,990)
Deferred revenue	(49,708)	29,741
Tenant security deposits	792	(3,408)
Cash Flows from Operating Activities	***366,101***	***1,009,759***
INVESTING ACTIVITIES		
Purchases of property and equipment	(436,877)	(365,668)
Purchases of intangible asset - website	(17,910)	-
Sale of investments	4,432	-
Acquisition of investments	(540,734)	(258,407)
Cash Flows from Investing Activities	***(991,089)***	***(624,075)***
FINANCING ACTIVITIES		
Payments of notes payable	(221,426)	(214,298)
Cash Flows from Financing Activities	***(221,426)***	***(214,298)***
NET CHANGE IN CASH	***(846,414)***	***171,386***
CASH AND CASH EQUIVALENTS, BEGINNING	***3,120,170***	***2,948,784***
CASH AND CASH EQUIVALENTS, ENDING	***$ 2,273,756***	***$ 3,120,170***

SUPPLEMENTARY INFORMATION		
Cash paid for interest	$ 12,070	$ 19,212

NOTE 1 – ORGANIZATION

Ascend Nonprofit Solutions, Inc., formerly known as 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 94% 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation
The consolidated financial statements include the accounts of Ascend Nonprofit Solutions, 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.

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

> *Net assets without donor restrictions* – Net assets 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, and net assets that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2023, the Center did not have any net assets to be maintained in perpetuity.

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.

Revenue recognition
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.

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

The Center's shared services revenue includes a performance obligation to render services to the agencies. Typically, the performance obligation is earned monthly and recorded as revenue accordingly.

Grants and purchased services
Grant awards are evaluated by management and determined to be either 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.

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 $14,000 and $35,000 for the years ended June 30, 2023 and 2022, 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 $0 and $5,000 for the years ended June 30, 2023 and 2022, 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 to 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.

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, 2023 and 2022, 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 $2,082,000 and $1,773,000, 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 establish 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 Center 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, 2023 or 2022.

Federal income tax status

The Center 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 a 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.

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.

Recent accounting pronouncement

The Center adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Center elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementation, the Center recognized ROU assets of $2,776,665 and operating lease liabilities of $2,776,665.

Accounts receivable
Accounts receivable consist of amounts due from third parties as of June 30, 2023 and 2022 and are presented at its net realizable value. No allowance for bad debt or present value discount has been provided.

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.

Property and equipment
Property and equipment with a value of $1,000 or more is recorded at cost if purchased or fair 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 $369,000 and $384,000 for the years ended June 30, 2023 and 2022, respectively.

Intangible asset
The Center's intangible assets consisted of their website of $17,910 and accumulated amortization of $1,741 for a net book value of $16,169. Amortization expense was $1,741 for the year ended June 30, 2023.

Investments
The Center 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 Center.

Leases
The Center determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Center does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term.

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.

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.

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.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment which are used by the Center in its operations consist of the following at June 30:

	2023	2022
Buildings and components	$ 11,795,188	$ 11,363,725
Furniture, fixtures, and equipment	2,585,077	2,579,663
Subtotal	14,380,265	13,943,388
Less: Accumulated depreciation	(7,177,882)	(6,808,534)
TOTAL	$ 7,202,383	$ 7,134,854

NOTE 4 – GROUND LEASE ARRANGEMENT

The Center leases land from the City of Charlotte under a non-cancellable operating lease. The lease term began January 1, 2003, and expires December 31, 2052. The lease contains no significant restrictions. In addition, the Center did not identify any contracts entered during the year meeting the lease criteria, nor did it have any finance leases during the year. The operating ROU assets represent the Center's right to use underlying assets for the lease term, and the operating lease liability represents the Center's obligation to make lease payments arising from the leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Center has made an accounting election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate to calculate lease liabilities as of June 30, 2023, was 3.11%.

For the year ended June 30, 2023, the total operating lease cost was approximately $140,000. As of June 30, 2023, the weighted-average remaining lease term was 29.5 years.

Future minimum lease payments required under the operating lease are as follows:

Year ended June 30,	
2024	$ 140,000
2025	140,000
2026	140,000
2027	140,000
2028	140,000
Thereafter	3,465,001
Total lease payment	4,165,001
Less: imputed interest	(1,443,121)
Present value of liability	$ 2,721,880

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	2023	2022
Estimated fair value of the bargain use of land, net of present-value discount, using the long-term US Treasury rate at inception of the lease (5.01%), for a period of 50 years, capped so as to not 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	(340,200)	(323,400)
TOTAL	$ 492,800	$ 509,600

NOTE 6 – INVESTMENTS

Investments at June 30 consisted of the following:

	2023	2022
Certificates of deposit	$ -	$ 247,770
Fixed income	1,528,018	-
Mutual funds	-	744,112
Total Investments	$ 1,528,018	$ 991,882

The Center'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 years ended June 30:

	2023	2022
Interest and dividends, net of fees	$ 28,977	$ 22,607
Net change in fair value of investments, including realized and unrealized gains	(165)	(53,499)
Investment (Loss) Income, Net	$ 28,812	$ (30,892)

NOTE 7- NOTES PAYABLE

The Center has two promissory notes (the Promissory Notes) that bear 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.

The Notes are comprised of the following at June 30:

Description	2023	2022
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	$ 153,462	$ 265,099
Promissory note due October 2024, payable in equal monthly principal installments of $9,643, including interest as a rate of 2.95%, collateralized by the Center's building	150,816	260,605
Total	304,278	525,704
Less: Current portion	(227,465)	(220,771)
Less: Debt issuance costs	(6,315)	(11,193)
Total Long-Term Notes Payable, Net	$ 70,498	$ 293,740

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

2024	$ 227,465
2025	76,813
TOTAL NOTES PAYABLE	$ 304,278

NOTE 8 – 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:

	2023	2022
Purpose restricted:		
Bargain use of land	$ 492,800	$ 509,600
Lumanaria Learning Solutions	39,646	-
Bilingual education programs of La Escuelita San Marcos	-	15,955
Living Libraries	-	18,959
Independence for Adults	13,058	13,058
Ucity Family Zone	-	30,706
Block Love Charlotte	30,116	39,307
Hope Vibes	-	25,000
All funds individually below $10,000	27,469	6,379
Time restricted:		
East Charlotte Coalition of Neighborhoods	10,000	-
A Brighter Day	12,500	-
Historic Hoskins Coalition Group	10,000	-
The Bulb Gallery	-	50,000
Hope Vibes	-	25,000
Block Love Charlotte	30,000	20,000
Total	$ 635,589	$ 753,964

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

	2023	2022
Purpose restricted releases:		
Bargain use of land	$ 16,800	$ 16,800
Invest for Charlotte Conference	137,217	-
Nonprofit training programs of Next Stage Consulting	-	50,151
Bilingual education programs of La Escuelita San Marcos	-	19,212
Education programs of Latin American Chamber of Charlotte	100,000	200,998
ProjectiGive	12,500	-
Living Libraries	14,967	27,426
Ucity Family Zone	30,706	113,901
Community Building Through Publishing a Local Newspaper	-	73,441
Home Owners Impact Fund	-	47,710
Restorative Justice	-	14,700
The Bulb Gallery	51,861	130,434
Hope Vibes	50,000	12,500
Beatties Ford Road Vocational Trade Center		60,206
Block Love Charlotte	132,089	35,729
Theatre Gap Initiative	-	126,300
Akses	-	92,500
Lumanaria Learning Solutions, Inc.	26,460	-
A Brighter Day	11,360	-
All funds individually below $10,000	70,094	389
Total	$ 654,054	$ 1,022,397

NOTE 9 – 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, 2023, are as follows:

Year Ending June 30	Member Agency Tenants	Other Tenants	Total
2024	$ 1,810,203	$ 145,222	$ 1,955,425
2025	1,503,893	22,816	1,526,709
2026	1,240,452	5,580	1,246,032
2027	1,237,020	5,580	1,242,600
2028	1,155,012	4,680	1,159,692
Thereafter	2,886,031	-	2,886,031
Total	$ 9,832,611	$ 183,878	$ 10,016,489

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 10 – RETIREMENT PLAN

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 $20,500, 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 2022, beginning the first day of the quarter following the 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, 2023 and 2022 were approximately $52,000 and $13,000, 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, 2023 and 2022, 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, 2023 and 2022.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Center 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 Center 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:

	2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed income securities	$ 1,528,018	$ -	$ -	$ 1,528,018
Total	$ 1,528,018	$ -	$ -	$ 1,528,018

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 247,770	$ -	$ 247,770
Mutual Funds	744,112	-	-	744,112
Total	$ 744,112	$ 247,770	$ -	$ 991,882

NOTE 12 – CONCENTRATIONS

Cash

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. Cash held in bank accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (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.

Geographic location and funding

The Center operates in a small geographic area and receives support and revenue from a limited number of sources, and is, therefore, sensitive to changes in the local economy.

NOTE 13 – 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, 2023 and 2022 was 8.75% and 5.25%, respectively. The Center had no amounts outstanding on its revolving line of credit as of June 30, 2023 and 2022.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has a reserve policy to ensure the stability of the mission, programs, employment, and ongoing operations of the Center. 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:

	2023	2022
Cash and cash equivalents	$ 2,194,467	$ 2,970,806
Investments	1,528,018	991,882
Accounts receivable	316,385	124,923
Deferred rent receivable	40,144	30,933
Other receivables	15,471	16,408
Total Net Financial Assets Available to Meet Liquidity Needs	$ 4,094,485	$ 4,134,952

The Center also has a line of credit of $250,000, available to meet short-term needs. See Note 13 for information about the arrangement.

NOTE 15 – SUBSEQUENT EVENTS

The Center 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.