

COMMON WEALTH CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2019

Common Wealth Charlotte, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Common Wealth Charlotte, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Common Wealth Charlotte, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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 Common Wealth Charlotte, Inc., as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and our report dated June 5, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
September 9, 2019

Common Wealth Charlotte, Inc.
Statement of Financial Position
June 30, 2019, with prior year comparative totals

	Year Ended June 30,	
	2019	2018
<u>ASSETS</u>		
Cash	\$ 289,183	\$ 270,217
United Way receivable	22,500	15,000
Loans receivable, net	22,951	5,389
<u>TOTAL</u>	\$ 334,634	\$ 290,606
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 6,410	\$ 965
<u>Total Current Liabilities</u>	6,410	965
Net Assets:		
Without donor restrictions	305,724	249,641
With donor restrictions	22,500	40,000
<u>Total Net Assets</u>	328,224	289,641
<u>TOTAL</u>	\$ 334,634	\$ 290,606

Common Wealth Charlotte, Inc.**Statement of Activities****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30,			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 135,463	\$ -	\$ 135,463	\$ 175,472
Grants	226,500	-	226,500	160,000
United Way	-	22,500	22,500	15,000
In-kind contributions	7,349	-	7,349	-
Interest income	1,884	-	1,884	254
Other income	512	-	512	-
Net assets released from restriction:				
By payment	25,000	(25,000)	-	-
By time	15,000	(15,000)	-	-
<i>Total Support and Revenue</i>	<i>411,708</i>	<i>(17,500)</i>	<i>394,208</i>	<i>350,726</i>
<u>EXPENSES</u>				
Program services	281,236	-	281,236	244,356
Management and general	53,826	-	53,826	19,394
Fundraising	20,563	-	20,563	11,327
<i>Total Expenses</i>	<i>355,625</i>	<i>-</i>	<i>355,625</i>	<i>275,077</i>
<i>CHANGE IN NET ASSETS</i>	<i>56,083</i>	<i>(17,500)</i>	<i>38,583</i>	<i>75,649</i>
<i>NET ASSETS, BEGINNING</i>	<i>249,641</i>	<i>40,000</i>	<i>289,641</i>	<i>213,992</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 305,724</i>	<i>\$ 22,500</i>	<i>\$ 328,224</i>	<i>\$ 289,641</i>

Common Wealth Charlotte, Inc.**Statement of Functional Expenses****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30,				Prior Year	
	Program	Management	Fundraising	TOTALS	Comparative	
	Services	and General			Totals	
EXPENSES						
Payroll expenses	\$ 228,897	\$ 33,684	\$ 17,853	\$ 280,434	\$ 197,328	
Loan defaults	10,024	-	-	10,024	23,530	
Contract services	3,038	2,378	-	5,416	16,049	
Client rebanking fees	10,891	-	-	10,891	15,048	
Office supplies	887	1,215	-	2,102	916	
Loan services	3,852	-	-	3,852	4,470	
Travel	3,572	-	-	3,572	2,604	
Advertising	1,057	911	147	2,115	2,123	
Insurance	525	4,727	-	5,252	2,090	
Miscellaneous	-	1,124	-	1,124	1,738	
Occupancy	7,830	1,152	611	9,593	-	
Development	2,300	-	1,250	3,550	1,150	
Technology	6,347	1,141	702	8,190	6,994	
Dues and memberships	1,346	1,346	-	2,692	315	
Volunteer	-	-	-	-	268	
Professional fees	670	6,029	-	6,699	258	
Postage	-	119	-	119	196	
TOTAL EXPENSES	\$ 281,236	\$ 53,826	\$ 20,563	\$ 355,625	\$ 275,077	

Common Wealth Charlotte, Inc.**Statement of Cash Flows****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30,	
	2019	2018
<i>OPERATING ACTIVITIES</i>		
Change in net assets	\$ 38,583	\$ 75,649
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in allowance for doubtful accounts	4,391	1,348
(Increase) in operating assets:		
United Way receivable	(7,500)	(15,000)
Loans issued	(48,220)	(10,408)
Loans repaid	26,267	3,671
Increase in operating liabilities		
Accounts payable	5,445	965
<i>Cash Flows from Operating Activities</i>	18,966	56,225
NET CHANGE IN CASH	18,966	56,225
CASH, BEGINNING	270,217	213,992
CASH, ENDING	\$ 289,183	\$ 270,217

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Common Wealth Charlotte, Inc. (the “Organization”), is incorporated under the laws of the state of North Carolina in April 2015.

The Organization’s mission is to empower Charlotte families living in poverty to achieve financial independence through innovative financial education and product services. Embedded within this mission is for the Organization to be an integral part of a community-wide upward mobility solution for teens specifically.

Sources of revenue

The Organization receives contributions and grants primarily from foundations, corporations, United Way, faith-based and individuals.

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 (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net assets with donor restrictions – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization 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 net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. However, restricted contributions whose restrictions are accomplished in the same accounting period are recorded as net assets without donor restrictions. Permanently restricted net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. As of June 30, 2019, the Organization did not have any permanently restricted net assets.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. The major expenses that are allocated include payroll expenses, contract services, office supplies, insurance, occupancy, technology and other various expenses. Payroll expenses are allocated based on an estimate of time and effort. Contract services are allocated based on the type of the individual contractors. All other expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent.

Federal income tax status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

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.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance non-financial 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 goods, if significant, are included in support at fair value. During the year, the Organization recorded no donated goods or services.

Donated facilities and utilities

Donated facilities and utilities are recorded as contributions at the estimated fair rental value. For the year ended June 30, 2019, the fair value of the donated rent and utilities has been calculated at \$7,349 which is included in occupancy expense.

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 2018 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2019

NOTE 2 – RECEIVABLES

United Way

United Way pledges are shown as an increase in net assets with donor restrictions when the pledge is received from United Way and are then released to net assets without donor restrictions 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 Organization when and if United Way collects the funds. Of the total balance in United Way receivable at year-end, \$15,000 is expected to be collected in the year ending June 30, 2020, and \$7,500 is expected to be collected during the year ending June 30, 2021. The balance is shown with no allowance for doubtful accounts, based on historical experience.

Loans receivable

The Organization issues two different unsecured loans, Opportunity Loans and Credibility Loans. Opportunity Loans have a \$750 maximum principal, and carry an interest rate of 1.5% for a 6-month term, and 3.0% for a 12-month term. Interest is prepaid and disbursement of the loan is less the prepaid interest. Credibility Loans have a \$120 or \$240 principal, and are the same terms as the Opportunity Loans.

A total of 110 loans were made during the year ended June 30, 2019 for a total of \$48,220. Loans receivable are presented net of an estimated allowance for doubtful accounts of \$5,738. Management has reviewed its loans receivable and determined the allowance based on current economic conditions and individual accounts.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted

Temporarily restricted net assets represent funds that had not yet been utilized or amounts that were restricted to specific periods. The remaining balance of temporarily restricted funds at June 30, 2019 consists of \$22,500, which represents the United Way funding receivable for the subsequent 18 months.

NOTE 4 – CONTINGENT LIABILITY

The Organization guarantees small loans made by a local credit union to individuals with high credit risk. The total loan balance outstanding at the credit union at June 30, 2019 was \$4,142. Management estimates a default rate of 20% of all loans that are guaranteed by the Organization. This represents a contingent liability for the Organization, however no liability was recorded in the accompanying financial statements, since the amount was not material to the financial statements.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2019

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at June 30, 2019, includes \$38,370 in excess of insured limits covered by the FDIC.

Donor

A limited number of funding sources provide a significant portion of the Organization's revenue. This represents a significant concentration of risk that operations could be affected if any of these donors discontinued giving to the Organization.

Geographic location

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

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$327,134 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$289,183 and receivables of \$37,951, which are expected to be collected during the year. The Organization has a policy to structure its financial assets to be available as its general liabilities, and other obligations come due. In addition, as part of its liquidity management the Organization invests cash in excess of daily requirements in short-term investments, primarily money market funds.

NOTE 7 – SUBSEQUENT EVENTS

The Organization 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.