

C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
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AUDITORS' REPRESENTATIONS LETTER

December 18, 2021

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

We have audited the financial statements of Common Wealth Charlotte, Inc. (the "Organization") for the year ended June 30, 2021, and will issue our report thereon dated December 18, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 12, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in the notes of the financial statements. Other than the adoption of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," which had no impact on the Organization's financial statements, no new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are:

- Depreciation expense, which is based on the estimated useful lives of the Organization's fixed assets.
- The allocation of functional expenses, which is based on estimated time spent performing certain

functions and other relevant factors.

- The bad debt allowance, which is based on the future collectability of the Organization's receivables.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any disclosures affecting the financial statements that we considered to be particularly sensitive.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We wish to express our appreciation to management and staff for their cooperation and assistance during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. A complete listing of all adjustments, if any, which we identified during our audit is attached to this letter. We have classified these entries as follows:

Closing Entries Management may provide certain information that has not already been incorporated into the financial statements or request that we propose entries based on our computations. We consider the computation and posting of these entries to be a normal part of our audit process and not a misstatement in the financial statements. Management has reviewed the information underlying these adjustments and takes full responsibility for the accuracy of these amounts.

Corrected Material Misstatements These are misstatements which were detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves

application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the management and staff within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


C. DeWitt Foard and Company, PA
Certified Public Accountants

Common Wealth Charlotte, Inc.
Adjusting Journal Entries
June 30, 2021

Account Name	Debit	Credit
Unrestricted Net Assets	122,500.00	
Grants Receivable	50,000.00	
Loan Write Off	10,607.00	
Cash App	5,000.48	
Venmo	337.50	
Temp. Restricted Net Assets		122,500.00
Major Foundations		50,000.00
Loans Receivable		15,944.98

Record journal entry PBC

Computers/Software	5,026.40	
Computers - Fixed Asset		5,026.40

Reclass non-fixed assets to expense

In-kind expenses	7,348.50	
In-kind contributions		7,348.50

Record in-kind contribution and expense

Grants Receivable	20,000.00	
Government/Community/Shared		20,000.00

To record grant receivable at year-end

Loan Defaults	48,943.98	
Loans Receivable		48,943.98

Record additional allowance for doubtful accounts

CORRECTED MATERIAL MISSTATEMENT

Loan Defaults	30,481.16	
Loans Receivable		30,481.16

Reduce gross loans receivable balance

<u>269,763.86</u>	<u>269,763.86</u>
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COMMON WEALTH CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, 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, 2021 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 2020 financial statements, and our report dated November 20, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
December 18, 2021

Common Wealth Charlotte, Inc.
Statement of Financial Position
June 30, 2021, with prior year comparative totals

	2021	2020
<u>ASSETS</u>		
Cash	\$ 835,835	\$ 796,537
Grants receivable	135,000	7,500
Loans receivable, net	172,951	154,450
Prepaid expense	1,028	-
<i>TOTAL</i>	<i>\$ 1,144,814</i>	<i>\$ 958,487</i>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses	\$ 8,198	\$ 8,455
Refundable advance	-	54,000
Loan payable	13,000	20,000
<i>Total Liabilities</i>	<i>21,198</i>	<i>82,455</i>
Net Assets:		
Without donor restrictions		
Board-designated	-	12,916
Undesignated	1,052,236	690,440
<i>Total Without Donor Restrictions</i>	<i>1,052,236</i>	<i>703,356</i>
With donor restrictions	71,380	172,676
<i>Total Net Assets</i>	<i>1,123,616</i>	<i>876,032</i>
<i>TOTAL</i>	<i>\$ 1,144,814</i>	<i>\$ 958,487</i>

Common Wealth Charlotte, Inc.**Statement of Activities****Year Ended June 30, 2021, with prior year comparative totals**

	Year Ended June 30, 2021			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 701,328	\$ 9,442	\$ 710,770	\$ 1,058,004
Grants	235,500	47,500	283,000	158,200
In-kind contributions	7,349	-	7,349	7,349
Interest income	1,598	-	1,598	3,625
Other income	-	-	-	372
Net assets released from restriction:				
By passage of time	7,500	(7,500)	-	-
By payment for restricted purpose	150,738	(150,738)	-	-
<i>Total Support and Revenue</i>	<i>1,104,013</i>	<i>(101,296)</i>	<i>1,002,717</i>	<i>1,227,550</i>
<u>EXPENSES</u>				
Program services	637,491	-	637,491	591,954
Management and general	85,837	-	85,837	59,524
Fundraising	31,805	-	31,805	28,264
<i>Total Expenses</i>	<i>755,133</i>	<i>-</i>	<i>755,133</i>	<i>679,742</i>
<i>CHANGE IN NET ASSETS</i>	<i>348,880</i>	<i>(101,296)</i>	<i>247,584</i>	<i>547,808</i>
<i>NET ASSETS, BEGINNING</i>	<i>703,356</i>	<i>172,676</i>	<i>876,032</i>	<i>328,224</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,052,236</i>	<i>\$ 71,380</i>	<i>\$ 1,123,616</i>	<i>\$ 876,032</i>

Common Wealth Charlotte, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021, with prior year comparative totals

	Year Ended June 30, 2021				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<i>PERSONNEL</i>					
Salaries	\$ 441,813	\$ 49,631	\$ 24,183	\$ 515,627	\$ 364,631
Payroll taxes	35,241	3,959	1,929	41,129	37,660
Employee benefits	7,983	897	437	9,317	-
<i>Total</i>	<i>485,037</i>	<i>54,487</i>	<i>26,549</i>	<i>566,073</i>	<i>402,291</i>
<i>OTHER</i>					
Loan defaults/bad debt	101,604	-	-	101,604	208,752
Contract services	3,747	15,405	-	19,152	4,591
Client rebanking fees	2,004	-	-	2,004	6,075
Office supplies	1,454	8,000	-	9,454	5,618
Loan services	18,948	-	-	18,948	11,324
Travel	545	-	-	545	2,430
Advertising	2,139	-	2,139	4,278	4,438
Insurance	586	5,277	-	5,863	4,902
Miscellaneous	-	87	-	87	1,849
Occupancy	9,134	1,026	500	10,660	10,660
Development	3,438	-	1,929	5,367	3,896
Technology	7,999	1,149	688	9,836	9,824
Dues and memberships	406	406	-	812	808
Volunteer	-	-	-	-	634
Education	-	-	-	-	1,650
Interest	450	-	-	450	-
<i>Total</i>	<i>152,454</i>	<i>31,350</i>	<i>5,256</i>	<i>189,060</i>	<i>277,451</i>
<i>TOTAL EXPENSES</i>	<i>\$ 637,491</i>	<i>\$ 85,837</i>	<i>\$ 31,805</i>	<i>\$ 755,133</i>	<i>\$ 679,742</i>

Common Wealth Charlotte, Inc.**Statement of Cash Flows****Year Ended June 30, 2021, with prior year comparative totals**

	Year Ended June 30,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 247,584	\$ 547,808
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in allowance for doubtful accounts	44,936	208,752
Bad debt expense	56,668	-
(Increase) decrease in operating assets:		
Grants receivable	(127,500)	15,000
Loans issued	(253,784)	(387,393)
Loans repaid	133,679	47,142
Prepaid expense	(1,028)	-
Increase in operating liabilities		
Accounts payable	(257)	2,045
Refundable advance	(54,000)	54,000
<i>Cash Flows from Operating Activities</i>	46,298	487,354
<u>FINANCING ACTIVITIES</u>		
Payments on loan	(7,000)	-
Proceeds from loan	-	20,000
<i>Cash Flows from Financing Activities</i>	(7,000)	20,000
NET CHANGE IN CASH	39,298	507,354
CASH, BEGINNING	796,537	289,183
CASH, ENDING	\$ 835,835	\$ 796,537

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Common Wealth Charlotte, Inc. (the “Organization”), was 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 subject to donor-imposed stipulations. These net assets may be temporary in nature, which are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization 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, 2021, the Organization did not have any restricted net assets to be maintained in perpetuity.

Revenue recognition

The Organization adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers*” (ASU 2014-09), during the year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The implementation of ASU 2014-09 had no impact on the accompanying financial statements.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2021

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for undesignated use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are accomplished in the same accounting period are recorded as net assets without donor restrictions.

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 services provided. 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 nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated 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, 2021, the fair value of the donated rent and utilities has been calculated at \$7,349 which is included in occupancy expense.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2021

Refundable advance

The Organization obtained a refundable advance for \$54,000 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic during the fiscal year ended June 30, 2020. The advance was forgiven in full during the year ended June 30, 2021, and was recorded as grant revenue in the accompanying statement of activities.

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 2020 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year's presentation.

NOTE 2 – RECEIVABLES

Grants receivable

Grants receivable are expected to be collected within the next year and are presented in the accompanying financial statements at net realizable value with no allowance for bad debt or present value discount. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions.

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 have the same terms as the Opportunity Loans.

During the year ended June 30, 2021, the Organization issued COVID loans from United Way funding. The maximum loan amount to an individual is \$750, and the loans are noninterest-bearing. The total COVID loan issued for the year ended June 30, 2021 was \$211,781. The Organization also issued another type of loan in response to the COVID-19 pandemic, which was funded by Goodwill. The loans are up to \$750 and have an interest rate of 3%. The total issued loans from Goodwill for the year ended June 30, 2021, was \$21,500. A total of 364 loans were made during the year ended June 30, 2021, for a total of \$253,784.

Loans receivable are presented net of an estimated allowance for doubtful accounts of \$259,426. Management has reviewed its loans receivable and determined the allowance based on current economic conditions and individual accounts.

Common Wealth Charlotte, Inc.
Notes to Financial Statements
June 30, 2021

The Organization's loans are expected to be collected during the year ending June 30,

2022	\$	237,686
2023		<u>194,691</u>
Total Loans Receivable		432,377
Deduct: Allowance for doubtful accounts		<u>259,426</u>
NET LOANS RECEIVABLE	\$	<u>172,951</u>

NOTE 3 – LOAN PAYABLE

During the year ended June 30, 2020, the Organization entered into a loan agreement for \$20,000, with the purpose of issuing loans with the proceeds from the loan. The loan is unsecured and bears interest at 3%. The loan matures October 2022, and the Organization is required to pay three annual principal and interest payments of \$7,071.

Maturity of loan

The loan matures during the years ending June 30:

2022	\$	6,666
2023		<u>6,334</u>
TOTAL	\$	<u>13,000</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Balance at June 30, 2021

Net assets with donor restrictions represent funds that had not yet been utilized or amounts that were restricted to specific periods. The remaining balance of restricted funds at June 30, 2021, consists of time-restricted funds of \$47,500, which represent funds to be utilized for operations during the year ending June 30, 2022, and purpose restricted funds of \$23,880 to be used for hardship loans.

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, 2021, includes \$326,294 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. The top three donors to the Organization equal 29% of the Organization's total revenue. This represents a significant concentration of risk that operations could be affected if any of these donors discontinued giving to the Organization.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2021

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 \$1,113,447 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$835,835, a grant receivable of \$135,000, which is expected to be collected during the year, and the net current portion of the loans receivable of \$142,612. Of these financial assets available, \$23,880 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. 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 – RETIREMENT

The Organization participates in a SIMPLE-IRA Plan. All full-time employees are eligible to participate in the Plan. The Organization matches the employee's elective deferral on a dollar-for-dollar basis but not more than 3% of the employee's compensation. The amount paid by the Organization during the year was \$8,177.

NOTE 8 – UNCERTAINTY

The COVID-19 pandemic has resulted in significant changes in the local economy. At this point, the full impact of this pandemic on the Organization is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

NOTE 9 – 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.