

C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
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AUDITORS' REPRESENTATIONS LETTER

November 20, 2020

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, 2020, and will issue our report thereon dated November 20, 2020. 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 July 17, 2020, 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. 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:

- 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.
- The valuing of donated facility use.

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 Immaterial Misstatements These misstatements, which were detected as a result of audit procedures and corrected by management, were not material, either individually or in the aggregate, to the financial statements taken as a whole. However, management has chosen to record these amounts, even though the amounts are immaterial, in order to enhance the accuracy of the financial statements.

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 November 20, 2020.

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

Common Wealth Charlotte, Inc.

November 20, 2020

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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 & Company, P.A.

C. DeWitt Foard and Company, PA

Certified Public Accountants

Common Wealth Charlotte, Inc.
Adjusting Journal Entries
June 30, 2020

Account No	Name	Debit	Credit
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NORMAL CLOSING ENTRIES

1201	Allowance for uncollectable loans		5,737.72
3000	Retained Earnings	5,294.98	
5055	Office Supplies	442.74	

Record prior year entry

1100	United Way receivable		15,000.00
3000	Retained earnings		15,000.00
3001	Temp. Rest. Net assets	15,000.00	
4010	Direct Public Support: Grants	15,000.00	

Record UW activity

1000	CMCU Business Checking	695.00	
5020	Insurance		695.00
1007	Venmo		1,066.07
1008	Paypal	4,641.00	
1200	Loans Receivable		7,741.62
3000	Retained Earnings	4,166.69	
4020	Contributions	20,000.00	
2100	Loan payable		20,000.00

Entry provided by client

CORRECTED IMMATERIAL MISSTATEMENT

1200	Loans Receivable	2,100.00	
5016	Director Expense Account	300.00	
5020	Insurance	470.00	
5101	Ask Accountant		2,870.00

Eliminate Ask Accountant expense account

2003	Retirement		5,442.55
5140	Payroll Expenses	5,442.55	

To correct retirement liability account

COMMON WEALTH CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2020

Common Wealth Charlotte, Inc.

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June 30, 2020

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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, 2020, 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, 2020 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 2019 financial statements, and our report dated September 9, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
November 20, 2020

Common Wealth Charlotte, Inc.
Statement of Financial Position
June 30, 2020, with prior year comparative totals

	2020	2019
<u>ASSETS</u>		
Cash	\$ 796,537	\$ 289,183
United Way receivable	7,500	22,500
Loans receivable, net	154,450	22,951
<i>TOTAL</i>	<i>\$ 958,487</i>	<i>\$ 334,634</i>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 8,455	\$ 6,410
Refundable advance	54,000	-
Loan payable	20,000	-
<i>Total Liabilities</i>	<i>82,455</i>	<i>6,410</i>
Net Assets:		
Without donor restrictions		
Board-designated	12,916	-
Undesignated	690,440	305,724
<i>Total Without Donor Restrictions</i>	<i>703,356</i>	<i>305,724</i>
With donor restrictions	172,676	22,500
<i>Total Net Assets</i>	<i>876,032</i>	<i>328,224</i>
<i>TOTAL</i>	<i>\$ 958,487</i>	<i>\$ 334,634</i>

Common Wealth Charlotte, Inc.**Statement of Activities****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 552,004	\$ 506,000	\$ 1,058,004	\$ 135,463
Grants	158,200	-	158,200	226,500
United Way	-	-	-	22,500
In-kind contributions	7,349	-	7,349	7,349
Interest income	3,625	-	3,625	1,884
Other income	372	-	372	512
Net assets released from restriction:				
By passage of time	15,000	(15,000)	-	-
By payment for restricted purpose	340,824	(340,824)	-	-
<i>Total Support and Revenue</i>	<i>1,077,374</i>	<i>150,176</i>	<i>1,227,550</i>	<i>394,208</i>
<u>EXPENSES</u>				
Program services	591,954	-	591,954	281,236
Management and general	59,524	-	59,524	53,826
Fundraising	28,264	-	28,264	20,563
<i>Total Expenses</i>	<i>679,742</i>	<i>-</i>	<i>679,742</i>	<i>355,625</i>
<i>CHANGE IN NET ASSETS</i>	<i>397,632</i>	<i>150,176</i>	<i>547,808</i>	<i>38,583</i>
<i>NET ASSETS, BEGINNING</i>	<i>305,724</i>	<i>22,500</i>	<i>328,224</i>	<i>289,641</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 703,356</i>	<i>\$ 172,676</i>	<i>\$ 876,032</i>	<i>\$ 328,224</i>

Common Wealth Charlotte, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020, with prior year comparative totals

	Year Ended June 30, 2020				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>EXPENSES</u>					
Payroll expenses	\$ 336,721	\$ 42,779	\$ 22,791	\$ 402,291	\$ 280,434
Loan defaults	208,752	-	-	208,752	10,024
Contract services	-	-	-	-	5,416
Client rebanking fees	6,075	-	-	6,075	10,891
Office supplies	2,056	3,335	-	5,391	2,102
Loan services	11,324	-	-	11,324	3,852
Travel	2,430	-	-	2,430	3,572
Advertising	2,219	-	2,219	4,438	2,115
Insurance	490	4,412	-	4,902	5,252
Miscellaneous	-	1,849	-	1,849	1,124
Occupancy	8,922	1,134	604	10,660	9,593
Development	2,670	-	1,226	3,896	3,550
Technology	7,782	1,252	790	9,824	8,190
Dues and memberships	404	404	-	808	2,692
Volunteer	-	-	634	634	-
Education	1,650	-	-	1,650	-
Professional fees	459	4,132	-	4,591	6,699
Postage	-	227	-	227	119
<i>TOTAL EXPENSES</i>	\$ 591,954	\$ 59,524	\$ 28,264	\$ 679,742	\$ 355,625

Common Wealth Charlotte, Inc.**Statement of Cash Flows****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30,	
	2020	2019
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 547,808	\$ 38,583
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in allowance for doubtful accounts	208,752	4,391
(Increase) decrease in operating assets:		
United Way receivable	15,000	(7,500)
Loans issued	(387,393)	(48,220)
Loans repaid	47,142	26,267
Increase in operating liabilities		
Accounts payable	2,045	5,445
Refundable advance	54,000	-
<i>Cash Flows from Operating Activities</i>	487,354	18,966
<u>FINANCING ACTIVITIES</u>		
Proceeds from loan	20,000	-
<i>Cash Flows from Financing Activities</i>	20,000	-
NET CHANGE IN CASH	507,354	18,966
CASH, BEGINNING	289,183	270,217
CASH, ENDING	\$ 796,537	\$ 289,183

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2020

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 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, 2020, the Organization did not have any permanently restricted net assets.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2020

Revenue recognition

The Organization expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), for 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.

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, 2020, the fair value of the donated rent and utilities has been calculated at \$7,349 which is included in occupancy expense.

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. The advance is eligible to be forgiven if utilized for allowable expenses as defined by PPP guidelines. Management expects this advance will be forgiven in full in the subsequent year.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2020

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 2019 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

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, \$7,500 is expected to be collected in 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 have the same terms as the Opportunity Loans.

During the year ended June 30, 2020, 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, 2020 was \$294,842. 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, 2020, was \$33,493.

A total of 566 loans were made during the year ended June 30, 2020, for a total of \$387,393. Loans receivable are presented net of an estimated allowance for doubtful accounts of \$214,490. Management has reviewed its loans receivable and determined the allowance based on current economic conditions and individual accounts. The Organization's loans are expected to be collected during the year ending June 30,

2021	\$	260,991
2022		<u>107,949</u>
Total Loans Receivable		368,940
Deduct: Allowance for doubtful accounts		<u>214,490</u>
NET LOANS RECEIVABLE	\$	<u>154,450</u>

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2020

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. The board-designated amount of \$12,916, represents the amount of funds remaining to be issued as loans in accordance with the loan agreement.

Maturity of loan

The loan matures during the years ending June 30:

2021	\$	6,666
2022		6,666
2023		6,667
<hr/>		
TOTAL	\$	20,000

NOTE 4 – 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, 2020 consists of time restricted funds of \$7,500, which represents the United Way funding receivable for the subsequent six months, and purpose restricted funds of \$165,176 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, 2020, includes \$483,614 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.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2020

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$913,296 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$796,537, a grant receivable of \$7,500, which is expected to be collected during the year, and the net current portion of the loans receivable of \$109,259. Of these financial assets available, \$178,092 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 – 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 8 – 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.