

Common Wealth Charlotte, Inc.

Financial Statements

June 30, 2023

FOARD 
EST. 1964

Common Wealth Charlotte, Inc.

Table of Contents

June 30, 2023

Page

Independent Auditors' Report 1-2

Audited Financial Statements:

 Statement of Financial Position 3

 Statement of Activities 4

 Statement of Functional Expenses 5

 Statement of Cash Flows 6

Notes to Financial Statements 7-11

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Common Wealth Charlotte, Inc. (the "Organization" - 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 Common Wealth Charlotte, Inc. 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 Common Wealth Charlotte, Inc. 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 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 Common Wealth Charlotte, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 financial statements.

Common Wealth Charlotte, Inc.
Charlotte, North Carolina

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 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 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 Common Wealth Charlotte, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Common Wealth Charlotte, Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Common Wealth Charlotte, Inc.
Statement of Financial Position
June 30, 2023, with prior year comparative totals

	2023	2022
<u>ASSETS</u>		
Cash	\$ 966,962	\$ 1,127,818
Certificates of deposit	204,684	-
Grants receivable	5,000	130,000
Loans receivable, net	70,985	98,172
Prepaid expense	7,089	2,858
<u>TOTAL</u>	<u>\$ 1,254,720</u>	<u>\$ 1,358,848</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses	\$ 3,070	\$ 2,403
<u>Total Liabilities</u>	<u>3,070</u>	<u>2,403</u>
Net Assets:		
Without donor restrictions	998,829	1,120,890
With donor restrictions	252,821	235,555
<u>Total Net Assets</u>	<u>1,251,650</u>	<u>1,356,445</u>
<u>TOTAL</u>	<u>\$ 1,254,720</u>	<u>\$ 1,358,848</u>

Common Wealth Charlotte, Inc.

Statement of Activities

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 771,405	\$ 312,000	\$ 1,083,405	\$ 1,090,390
Grants	52,500	-	52,500	125,113
In-kind contributions	7,430	-	7,430	7,349
Interest income	17,533	-	17,533	1,968
Net assets released from restriction:				
By passage of time	165,205	(165,205)	-	-
By payment for restricted purpose	129,529	(129,529)	-	-
<i>Total Support and Revenue</i>	<i>1,143,602</i>	<i>17,266</i>	<i>1,160,868</i>	<i>1,224,820</i>
<u>EXPENSES</u>				
Program services	963,759	-	963,759	796,337
Management and general	162,686	-	162,686	97,178
Fundraising	139,218	-	139,218	98,476
<i>Total Expenses</i>	<i>1,265,663</i>	<i>-</i>	<i>1,265,663</i>	<i>991,991</i>
<i>CHANGE IN NET ASSETS</i>	<i>(122,061)</i>	<i>17,266</i>	<i>(104,795)</i>	<i>232,829</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,120,890</i>	<i>235,555</i>	<i>1,356,445</i>	<i>1,123,616</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 998,829</i>	<i>\$ 252,821</i>	<i>\$ 1,251,650</i>	<i>\$ 1,356,445</i>

Common Wealth Charlotte, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<i>PERSONNEL</i>					
Salaries	\$ 657,394	\$ 82,036	\$ 87,958	\$ 827,388	\$ 694,457
Payroll taxes	55,359	6,908	7,407	69,674	58,467
Employee benefits	36,219	4,094	4,389	44,702	26,527
<i>Total</i>	<i>748,972</i>	<i>93,038</i>	<i>99,754</i>	<i>941,764</i>	<i>779,451</i>
<i>OTHER</i>					
Loan defaults/bad debt	83,234	-	-	83,234	88,546
Contract services	7,394	44,078	-	51,472	29,987
Client rebanking fees	28,796	-	1,092	29,888	11,885
Office supplies	12,759	1,400	5,454	19,613	16,871
Loan services	12,277	-	-	12,277	7,618
Travel	3,189	2,179	2,179	7,547	1,870
Advertising	25,051	-	25,494	50,545	14,896
Insurance	9,754	14,875	1,099	25,728	13,400
Miscellaneous	200	327	-	527	222
Occupancy	9,013	1,125	1,206	11,344	10,659
Technology	8,488	2,864	2,940	14,292	5,717
Dues and memberships	2,800	2,800	-	5,600	8,180
Grant	11,832	-	-	11,832	2,689
<i>Total</i>	<i>214,787</i>	<i>69,648</i>	<i>39,464</i>	<i>323,899</i>	<i>212,540</i>
<i>TOTAL EXPENSES</i>	<i>\$ 963,759</i>	<i>\$ 162,686</i>	<i>\$ 139,218</i>	<i>\$ 1,265,663</i>	<i>\$ 991,991</i>

Common Wealth Charlotte, Inc.**Statement of Cash Flows****Year Ended June 30, 2023, with prior year comparative totals**

	Year Ended June 30,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (104,795)	\$ 232,829
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in allowance for doubtful accounts	(93,948)	(118,155)
Bad debt expense	173,041	194,811
(Increase) decrease in operating assets:		
Grants receivable	125,000	5,000
Loans issued	(142,058)	(123,512)
Loans repaid	90,150	121,635
Prepaid expense	(4,231)	(1,830)
Increase (decrease) in operating liabilities		
Accrued expenses	667	(5,795)
<i>Cash Flows from Operating Activities</i>	43,826	304,983
<u>INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(204,682)	-
<i>Cash Flows from Investing Activities</i>	(204,682)	-
<u>FINANCING ACTIVITIES</u>		
Payments on loan	-	(13,000)
<i>Cash Flows from Financing Activities</i>	-	(13,000)
NET CHANGE IN CASH	(160,856)	291,983
CASH, BEGINNING	1,127,818	835,835
CASH, ENDING	\$ 966,962	\$ 1,127,818

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2023

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 equip low-income wage earners with increased financial capability, so they can attain financial stability and decrease reliance on charitable assistance. This is achieved through a trauma-informed approach including education, personalized counseling, access to banking, and no-interest loans.

Sources of revenue

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

Revenue recognition

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.

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.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2023

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, 2023, the Organization did not have any restricted net assets to be maintained in perpetuity.

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 total salaries per function. 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, 2023, the fair value of the donated rent and utilities has been calculated at \$7,430 which is included in occupancy expense. The valuation used was a like-kind methodology for commercial rental values in the Charlotte region and the estimated utility usage of the building. The donated facilities and utilities were not restricted for a specific purpose.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2023

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information was derived.

New accounting pronouncement

The Organization adopted ASU 2016-02, *Leases* (Topic 842) during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Organization determined that its leases in place during the year were immaterial to present under the new standard.

NOTE 2 – CERTIFICATES OF DEPOSIT

The certificates of deposit are valued at cost plus accrued interest, which approximates fair value. The certificates of deposit interest rate is 4.65 percent and matures no later than June 2024.

NOTE 3 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization certificate of deposit is classified as Level 2 assets and the value is determined based on cost plus accrued interest which approximates fair value.

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2023

NOTE 4 – 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 0%. Credibility Loans have a \$120 maximum principal and have the same terms as the Opportunity Loans.

During the year ended June 30, 2023, the Organization issued another type of loan funded by Goodwill. The loans are interest bearing at a rate of three percent and are up to \$750. A total of 250 loans were made during the year ended June 30, 2023, for a total of \$142,058.

Loans receivable are presented net of an estimated allowance for doubtful accounts of \$47,324. 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, 2024.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Purpose and time restricted net assets at year-end are as follows:

Purpose Restricted:

Generations 2080	\$	138,295
Credit Builder Loan program		68,526
<u>Total Purpose Restricted</u>		<u>206,821</u>

Time-Restricted:

Fiscal year 2024		46,000
------------------	--	--------

<u>TOTAL</u>	<u>\$</u>	<u>252,821</u>
--------------	-----------	----------------

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

Donor

A limited number of funding sources provide a significant portion of the Organization’s revenue. The top three donors to the Organization equal 37% 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, 2023

Geographic location

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

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,247,631 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$966,962, certificates of deposit of \$204,684, grants receivable of \$5,000, which are expected to be collected during the year, and the net loans receivable of \$70,985. Of these financial assets available, \$206,821 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.

NOTE 8 – 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 three percent of the employee's compensation. The amount paid by the Organization during the year was \$13,899.

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.