

C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
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AUDITORS' REPRESENTATIONS LETTER

September 16, 2022

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, 2022, and will issue our report thereon dated September 16, 2022. 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 25, 2022, 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 facilities.

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. There were no misstatements that 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 September 16, 2022.

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.

Common Wealth Charlotte, Inc.
September 16, 2022
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Sincerely,

C. DeWitt Foard & Company, P.A.
C. DeWitt Foard and Company, PA
Certified Public Accountants

COMMON WEALTH CHARLOTTE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2022

Common Wealth Charlotte, Inc.

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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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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, 2022, 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.

Common Wealth Charlotte, Inc.
Charlotte, North Carolina

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.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.
September 16, 2022

Common Wealth Charlotte, Inc.
Statement of Financial Position
June 30, 2022, with prior year comparative totals

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 1,127,818	\$ 835,835
Grants receivable	130,000	135,000
Loans receivable, net	98,172	172,951
Prepaid expense	2,858	1,028
<i>TOTAL</i>	<i>\$ 1,358,848</i>	<i>\$ 1,144,814</i>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses	\$ 2,403	\$ 8,198
Loan payable	-	13,000
<i>Total Liabilities</i>	<i>2,403</i>	<i>21,198</i>
Net Assets:		
Without donor restrictions	1,120,890	1,052,236
With donor restrictions	235,555	71,380
<i>Total Net Assets</i>	<i>1,356,445</i>	<i>1,123,616</i>
<i>TOTAL</i>	<i>\$ 1,358,848</i>	<i>\$ 1,144,814</i>

Common Wealth Charlotte, Inc.

Statement of Activities

Year Ended June 30, 2022, with prior year comparative totals

	Year Ended June 30, 2022			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 870,390	\$ 220,000	\$ 1,090,390	\$ 710,770
Grants	75,113	50,000	125,113	283,000
In-kind contributions	7,349	-	7,349	7,349
Interest income	1,968	-	1,968	1,598
Net assets released from restriction:				
By passage of time	60,000	(60,000)	-	-
By payment for restricted purpose	45,825	(45,825)	-	-
<i>Total Support and Revenue</i>	<i>1,060,645</i>	<i>164,175</i>	<i>1,224,820</i>	<i>1,002,717</i>
<u>EXPENSES</u>				
Program services	796,337	-	796,337	637,491
Management and general	97,178	-	97,178	85,837
Fundraising	98,476	-	98,476	31,805
<i>Total Expenses</i>	<i>991,991</i>	<i>-</i>	<i>991,991</i>	<i>755,133</i>
<i>CHANGE IN NET ASSETS</i>	<i>68,654</i>	<i>164,175</i>	<i>232,829</i>	<i>247,584</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,052,236</i>	<i>71,380</i>	<i>1,123,616</i>	<i>876,032</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,120,890</i>	<i>\$ 235,555</i>	<i>\$ 1,356,445</i>	<i>\$ 1,123,616</i>

Common Wealth Charlotte, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022, with prior year comparative totals

	Year Ended June 30, 2022				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<i>PERSONNEL</i>					
Salaries	\$ 570,219	\$ 50,541	\$ 73,697	\$ 694,457	\$ 515,627
Payroll taxes	48,007	4,255	6,205	58,467	41,129
Employee benefits	21,435	1,900	3,192	26,527	14,684
<i>Total</i>	<i>639,661</i>	<i>56,696</i>	<i>83,094</i>	<i>779,451</i>	<i>571,440</i>
<i>OTHER</i>					
Loan defaults/bad debt	88,546	-	-	88,546	101,604
Contract services	4,285	25,702	-	29,987	19,152
Client rebanking fees	11,327	-	558	11,885	2,004
Office supplies	11,331	852	4,688	16,871	9,454
Loan services	7,618	-	-	7,618	18,948
Travel	1,656	107	107	1,870	545
Advertising	7,448	-	7,448	14,896	4,278
Insurance	5,680	7,081	639	13,400	5,863
Miscellaneous	-	222	-	222	87
Occupancy	8,597	1,343	719	10,659	10,660
Technology	3,409	1,085	1,223	5,717	9,836
Dues and memberships	4,090	4,090	-	8,180	812
Grant	2,689	-	-	2,689	-
Interest	-	-	-	-	450
<i>Total</i>	<i>156,676</i>	<i>40,482</i>	<i>15,382</i>	<i>212,540</i>	<i>183,693</i>
<i>TOTAL EXPENSES</i>	<i>\$ 796,337</i>	<i>\$ 97,178</i>	<i>\$ 98,476</i>	<i>\$ 991,991</i>	<i>\$ 755,133</i>

Common Wealth Charlotte, Inc.**Statement of Cash Flows****Year Ended June 30, 2022, with prior year comparative totals**

	Year Ended June 30,	
	2022	2021
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 232,829	\$ 247,584
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in allowance for doubtful accounts	(118,155)	44,936
Bad debt expense	194,811	56,668
(Increase) decrease in operating assets:		
Grants receivable	5,000	(127,500)
Loans issued	(123,512)	(253,784)
Loans repaid	121,635	133,679
Prepaid expense	(1,830)	(1,028)
(Decrease) in operating liabilities		
Accounts payable	(5,795)	(257)
Refundable advance	-	(54,000)
<u>Cash Flows from Operating Activities</u>	<u>304,983</u>	<u>46,298</u>
<u>FINANCING ACTIVITIES</u>		
Payments on loan	(13,000)	(7,000)
<u>Cash Flows from Financing Activities</u>	<u>(13,000)</u>	<u>(7,000)</u>
NET CHANGE IN CASH	291,983	39,298
CASH, BEGINNING	835,835	796,537
CASH, ENDING	\$ 1,127,818	\$ 835,835

Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2022

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, United Way, 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, 2022

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, 2022, 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 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, 2022, the fair value of the donated rent and utilities has been calculated at \$7,349 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, 2022

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 2021 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 0%. Credibility Loans have a \$120 or \$240 principal and have the same terms as the Opportunity Loans.

During the year ended June 30, 2022, the Organization issued COVID loans partially from United Way funding. The maximum loan amount to an individual is \$750, and the loans are noninterest-bearing. The total COVID loans issued for the year ended June 30, 2022, was \$63,413. The Organization also issued another type of loan funded by Goodwill. The loans are non-interest bearing and are up to \$750. The total issued loans from Goodwill for the year ended June 30, 2022, was \$18,040. A total of 187 loans were made during the year ended June 30, 2022, for a total of \$123,512.

Loans receivable are presented net of an estimated allowance for doubtful accounts of \$141,271. 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, 2023.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

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

Purpose Restricted:

Credit Builder Loan program	\$ 50,000
Generations 2080	12,500
Hardship loans	48,055
<u>Total Purpose Restricted</u>	<u>110,555</u>

Time-Restricted:

Fiscal year 2023	125,000
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<u>TOTAL</u>	<u>\$ 235,555</u>
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Common Wealth Charlotte, Inc.

Notes to Financial Statements

June 30, 2022

NOTE 4 – 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, 2022, includes \$623,870 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 45% 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.

Geographic location

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

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,355,990 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,127,818, grants receivable of \$130,000, which are expected to be collected during the year, and the net loans receivable of \$98,172. Of these financial assets available, \$235,555 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 6 – 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 \$13,716.

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.