

CHARLOTTE RESCUE MISSION

Consolidated Financial Statements for the
Years Ended June 30, 2021 and 2020 and
Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Charlotte Rescue Mission:

We have audited the accompanying consolidated financial statements of the Charlotte Rescue Mission (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Charlotte Rescue Mission as of June 30, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

GreerWalker LLP

Certified Public Accountants
January 5, 2022
Charlotte, NC

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CHARLOTTE RESCUE MISSION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash	\$ 6,437,810	\$ 3,557,506
Pledges receivable, net	554,535	160,417
Inventory	114,750	123,764
Prepaid expenses and other	237,509	205,758
Current portion of beneficial interest in trust	25,000	25,000
Total current assets	<u>7,369,604</u>	<u>4,072,445</u>
PROPERTY AND EQUIPMENT, NET	<u>9,521,684</u>	<u>9,879,440</u>
OTHER ASSETS:		
Pledges receivable, net	1,058,751	197,894
Endowment	1,642,559	1,113,694
Beneficial interest in trust	79,922	104,922
Other	6,922	6,922
Total other assets	<u>2,788,154</u>	<u>1,423,432</u>
TOTAL	<u>\$ 19,679,442</u>	<u>\$ 15,375,317</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 145,943	\$ 201,736
Accrued salaries and other expenses	244,055	331,347
Total current liabilities	<u>389,998</u>	<u>533,083</u>
LONG-TERM LIABILITIES:		
Long-term debt	-	939,800
Grant payable	1,000,000	1,000,000
Total long-term liabilities	<u>1,000,000</u>	<u>1,939,800</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated, available for general use	12,373,762	10,941,583
Designated for endowment funds	237,600	212,600
Total without donor restrictions	<u>12,611,362</u>	<u>11,154,183</u>
With donor restrictions	5,678,082	1,748,251
Total net assets	<u>18,289,444</u>	<u>12,902,434</u>
TOTAL	<u>\$ 19,679,442</u>	<u>\$ 15,375,317</u>

See notes to consolidated financial statements.

CHARLOTTE RESCUE MISSION

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor	With Donor	Total	Without donor	With donor	Total
	Restrictions	Restrictions		restrictions	restrictions	
REVENUE, SUPPORT AND RECLASSIFICATIONS:						
Contributions and grants	\$ 6,464,299	\$ 5,992,750	\$ 12,457,049	\$ 6,325,912	\$ 1,442,994	\$ 7,768,906
Gifts-in-kind	809,804	-	809,804	823,387	-	823,387
Restaurant revenue	443,518	-	443,518	539,593	-	539,593
Program aftercare income	90,559	-	90,559	79,311	-	79,311
Special event income net of related expenses of \$48,974 and \$60,601, respectively	128,091	-	128,091	434,214	-	434,214
Investment income	162,604	-	162,604	52,324	-	52,324
Miscellaneous income	1,052,789	-	1,052,789	22,764	-	22,764
Reclassifications:						
Contributions and grants released from time or purpose restrictions	2,062,919	(2,062,919)	-	1,332,686	(1,332,686)	-
Total revenue, support and reclassifications	11,214,583	3,929,831	15,144,414	9,610,191	110,308	9,720,499
EXPENSES:						
Program services	7,672,800	-	7,672,800	7,300,505	-	7,300,505
Supporting services:						
General and administrative	794,290	-	794,290	657,867	-	657,867
Fundraising	1,290,314	-	1,290,314	1,196,070	-	1,196,070
Total support services	2,084,604	-	2,084,604	1,853,937	-	1,853,937
Total expenses	9,757,404	-	9,757,404	9,154,442	-	9,154,442
CHANGE IN NET ASSETS	1,457,179	3,929,831	5,387,010	455,749	110,308	566,057
NET ASSETS, BEGINNING OF YEAR	11,154,183	1,748,251	12,902,434	10,698,434	1,637,943	12,336,377
NET ASSETS, END OF YEAR	\$ 12,611,362	\$ 5,678,082	\$ 18,289,444	\$ 11,154,183	\$ 1,748,251	\$ 12,902,434

See notes to consolidated financial statements.

CHARLOTTE RESCUE MISSION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising
Salaries	\$ 3,358,861	\$ 460,384	\$ 467,837	\$ 3,542,862	\$ 374,101	\$ 404,122
Benefits	750,566	88,122	72,908	551,879	63,026	45,449
Food	837,436	-	-	360,142	-	-
Depreciation	690,052	19,606	10,535	651,024	14,788	17,175
Promotional (direct mail)	17,317	57	523,157	3,136	-	527,683
Occupancy	364,986	5,122	2,460	343,249	4,803	2,471
Contracted services	216,884	81,153	71,628	240,721	82,526	37,680
Payroll taxes	245,829	32,870	32,306	266,095	27,970	30,092
Student expenses	256,546	-	-	220,986	-	-
Supplies and maintenance	141,222	7,805	4,139	528,684	9,192	2,013
Insurance	105,893	7,674	5,342	94,916	5,397	5,454
Advertising	50,000	-	54,231	53,239	-	81,622
Communications	63,412	7,894	9,384	62,138	4,872	9,122
Bank charges	17,651	54,296	2,120	16,241	52,008	-
Dues and education	18,315	13,568	8,633	19,427	11,508	6,010
Auto and travel	31,725	(754)	159	35,838	226	501
Postage	334	3,080	20,309	246	2,014	20,788
Miscellaneous	505,771	13,413	5,166	309,682	5,436	5,888
Total expenses	\$ 7,672,800	\$ 794,290	\$ 1,290,314	\$ 7,300,505	\$ 657,867	\$ 1,196,070
			\$ 9,757,404			\$ 9,154,442

See notes to consolidated financial statements.

CHARLOTTE RESCUE MISSION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,387,010	\$ 566,057
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in allowance for bad debt and present value of pledges receivable	203,229	(23,769)
Depreciation	720,193	682,987
Loss on disposal of assets	1,950	-
Unrealized gain	(156,720)	(44,115)
PPP loan forgiveness income	(1,028,790)	-
Changes in operating assets and liabilities:		
Pledges receivable	(1,458,204)	298,505
Inventory	9,014	(31,602)
Prepaid expenses and other	(31,751)	(16,670)
Accounts payable	(55,793)	(39,580)
Accrued salaries and other expenses	(87,292)	28,221
Net cash provided by operating activities	<u>3,502,846</u>	<u>1,420,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(364,387)	(177,197)
Purchases of investment securities	(372,145)	(273,798)
Receipt of funds from beneficial interest in trust	25,000	25,000
Net cash applied to investing activities	<u>(711,532)</u>	<u>(425,995)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	<u>88,990</u>	<u>939,800</u>
NET CHANGE IN CASH	2,880,304	1,933,839
CASH, BEGINNING OF YEAR	<u>3,557,506</u>	<u>1,623,667</u>
CASH, END OF YEAR	<u>\$ 6,437,810</u>	<u>\$ 3,557,506</u>

See notes to consolidated financial statements.

CHARLOTTE RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Charlotte Rescue Mission ("CRM") is a North Carolina not-for-profit corporation that was formed in 1938. The ministry of the CRM is to provide an intensive Christian residential chemical dependence recovery and rehabilitation program for homeless men and women or those about to become homeless utilizing the principles of Alcoholics Anonymous. The primary programs of CRM and its supporting organizations (collectively, the "Organization") are as follows:

Rebound - the Organization provides a 120-day residential recovery program for men at their 154-bed facility located on West First Street.

Dove's Nest - the Organization provides a 120-day residential program for women and children at their 120-bed facility located on West Boulevard.

Holiday Meals - the Organization provides hot nourishing meals at Easter, Thanksgiving, and Christmas to the community to include not only the homeless but also families, children and senior citizens.

Community Matters Café - the Organization, through Charlotte Rescue Mission Social Enterprise, operates a coffee shop and restaurant that teaches life skills to residents who have completed the primary program of Rebound or Dove's Nest.

Principles of Consolidation - The consolidated financial statements include the accounts of CRM, and its supporting organizations Charlotte Rescue Mission Social Enterprise (the "Café") and Charlotte Rescue Mission Endowment (the "Endowment"). All significant intercompany balances and transactions are eliminated in consolidation.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Net assets with donor restrictions - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met or restrictions stipulating that the amounts be maintained by the Organization in perpetuity.

Use of Accounting Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

New Accounting Standard - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The ASU and all subsequently issued clarifying ASUs (collectively, "ASC 606") replaced most existing revenue recognition guidance in GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted the new standard effective July 1, 2020 using the modified retrospective method. Results for reporting periods beginning July 1, 2020 are presented under ASC 606 while prior period amounts continue to be reported in accordance with previous guidance. The adoption of ASC 606 did not change how the Organization accounts for revenue. Accordingly, the cumulative effect of the initial application of ASC 606 did not result in an adjustment to net assets as of July 1, 2020.

For the Organization, this new standard relates only to revenues generated through contracts with those considered to be customers. It is not applicable for donations of any type.

Cash - The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Pledges Receivable - Pledges receivable are recognized when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Promises to give are recorded at the present value of future cash flows using interest rates of approximately 2% and are substantially all due in the next five years. Amortization of the discount is included in contribution revenue. The Organization also maintains an allowance for uncollectible pledges. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Contributions - The Organization may receive contributions of cash or other assets which it reports as net assets with donor restrictions if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions and as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Inventory - Inventory consists of purchased and donated food and program supplies. Purchased inventory is stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Donated food inventory is stated at the wholesale value of \$1.67 and \$1.62 per pound during the fiscal years ended June 30, 2021 and 2020, respectfully. Donated program supplies inventory is stated at estimated fair value. Inventory cost is expensed when goods are distributed. Management periodically evaluates the net realizable value of all inventories to ensure that any unusable inventory is expensed.

Property and Equipment - Property and equipment are recorded at cost if purchased. Donations of property are recorded at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets of \$1,000 or more and with useful lives greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Revenue Recognition - The Organization primarily generates contract revenue from food and beverage sales at the Cafe. The performance obligations are considered to be the food and beverages provided to customers. The transaction price in these contracts is primarily fixed in nature. The Organization satisfies its performance obligations at a point in time when the food and beverages are delivered to the customer.

The Organization's standard terms and conditions require payment upon purchase, as such, the Organization does not typically have contract assets or liabilities.

Fair Value Measurement - GAAP provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

The inputs used for valuing the Organization's assets and liabilities are summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical assets
- Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)
- Level 3 - significant unobservable inputs

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs or methodology used for valuing the Organization's assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

Advertising - The Organization's policy is to expense the cost of advertising as it is incurred. Total advertising costs were \$104,231 and \$134,861 for the years ended June 30, 2021 and 2020, respectfully.

Income Taxes - CRM, the Café, and the Endowment are tax-exempt under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2021 and 2020.

Donated Equipment and Facility Services - Gifts of property and equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations with regard to the amount of time the long-lived assets must be maintained, the Organization releases the net assets related to donated or acquired long-lived assets once they are placed in service. Donated facility services are recognized for those services that improve or enhance property and equipment or for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donor. Donated equipment and facility services are recorded at fair value at the date of the gift. The Organization received donations of equipment and facilities services in the amount of \$195,288 and \$176,860 for the years ended June 30, 2021 and 2020, respectfully, which is recorded as support on the accompanying consolidated financial statements.

Donated Food, Clothing and Supplies - The Organization receives and distributes large amounts of clothing and other goods directly to those in need. The Organization also receives donations of food and supplies which are used in its operations. Donated food, clothing and supplies are recorded at fair value at the date of the gift. These goods are recorded as support in the accompanying consolidated financial statements in the amount of \$553,687 and \$635,547 for the years ended June 30, 2021 and 2020, respectfully.

Donated Professional Services - Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management and general, and fundraising efforts. The value of this contributed time does not meet the criteria for recognition of donated services and, accordingly, is not reflected as support in the accompanying consolidated financial statements. Donated professional services are only recognized for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. These services are recorded as support in the accompanying consolidated financial statements in the amount of \$60,829 and \$10,980 for the years ended June 30, 2021 and 2020, respectfully.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Reclassifications - Certain amounts in the 2020 financial statements have been reclassified to conform with 2021 presentation. Such reclassifications had no effect on previously reported change in net assets.

Subsequent Events - In preparing its consolidated financial statements, the Organization has evaluated subsequent events through January 5, 2022, which is the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 6,437,810	\$ 3,557,506
Endowment	1,642,559	1,113,694
Pledges receivable, net	1,613,286	358,311
Beneficial interest in trust	<u>104,922</u>	<u>129,922</u>
Total financial assets	<u>9,798,577</u>	<u>5,159,433</u>
Less amounts not available to be used for general expenditures within one year:		
Restricted by donors with purpose restrictions	4,174,190	478,759
Restricted by donors with time restrictions greater than one year	228,581	184,985
Restricted by donors in perpetuity	1,170,389	794,168
Designated by the Board of Directors for endowment fund	237,600	212,600
Beneficial interest in trust to be received in greater than one year	<u>79,922</u>	<u>104,922</u>
Financial assets not available to be used within one year	<u>5,890,682</u>	<u>1,775,434</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,907,895</u>	<u>\$ 3,383,999</u>

The Organization is substantially supported by contributions received without donor restrictions; however, a portion of its support is also received as contributions received with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In order to accomplish this, the Organization invests cash in excess of daily requirements in investments funds that are able to be drawn on for general expenditures.

3. PLEDGES RECEIVABLE

Pledges outstanding consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 733,568	\$ 203,634
Due in 1 to 5 years	<u>1,134,338</u>	<u>206,668</u>
Subtotal	1,867,906	410,302
Less discount to net present value	(75,587)	(13,200)
Less allowance for uncollectible pledges	<u>(179,033)</u>	<u>(38,791)</u>
Pledges receivable, net	1,613,286	358,311
Current portion, net	<u>554,535</u>	<u>160,417</u>
Long-term, net	<u>\$ 1,058,751</u>	<u>\$ 197,894</u>

As of June 30, 2021, pledges from two donors represented approximately 50% of the outstanding gross pledges receivable, respectfully. As of June 30, 2020, pledges from one donor represented approximately 94% of the outstanding gross pledges receivable, respectfully.

4. BENEFICIAL INTEREST IN TRUST

During 2015, the estate of an unrelated third party bequeathed a portion of its funds to the Organization. The estate was liquidated and is now being held in trust and administered by the Foundation For The Carolinas. Distributions from the trust will be made to the Organization in annual increments of \$25,000 until the funds are depleted.

The following table sets forth a summary of changes in the beneficial interest in trust for the year ended June 30, 2021:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 129,922	\$ 154,922
Receipts	<u>(25,000)</u>	<u>(25,000)</u>
Balance, end of year	104,922	129,922
Current portion	<u>(25,000)</u>	<u>(25,000)</u>
Long-term	<u>\$ 79,922</u>	<u>\$ 104,922</u>

5. INVESTMENTS

The Organization invests certain restricted contributions and board designated amounts with a national broker. As of June 30, 2021 and 2020, the Organization's investments are classified as Level 1 investments based upon the three levels of fair value measurement as defined in Note 1.

6. ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization's endowment was established for the purpose of supporting the operations of Charlotte Rescue Mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

The following represents the endowment net asset compositions by type of fund as of June 30, 2021, and the changes in the endowment net assets each year:

Endowment Net Asset Composition by Type of Fund

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,128,404	\$ 1,128,404
Endowment funds available for general use	276,555	-	276,555
Board-designated endowment funds	<u>237,600</u>	<u>-</u>	<u>237,600</u>
Total funds	<u>\$ 514,155</u>	<u>\$ 1,128,404</u>	<u>\$ 1,642,559</u>

Changes in Endowment Net Assets

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 332,435	\$ 781,259	\$ 1,113,694
Contributions/additions	25,000	347,145	372,145
Investment income	<u>156,720</u>	<u>-</u>	<u>156,720</u>
Endowment net assets, end of year	<u>\$ 514,155</u>	<u>\$ 1,128,404</u>	<u>\$ 1,642,559</u>

The following represents the endowment net asset compositions by type of fund as of June 30, 2020, and the changes in the endowment net assets each year:

Endowment Net Asset Composition by Type of Fund

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 781,259	\$ 781,259
Endowment funds available for general use	119,835	-	119,835
Board-designated endowment funds	<u>212,600</u>	<u>-</u>	<u>212,600</u>
Total funds	<u>\$ 332,435</u>	<u>\$ 781,259</u>	<u>\$ 1,113,694</u>

Changes in Endowment Net Assets

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 142,119	\$ 653,662	\$ 795,781
Contributions/additions	146,203	127,597	273,800
Investment income	<u>44,113</u>	<u>-</u>	<u>44,113</u>
Endowment net assets, end of year	<u>\$ 332,435</u>	<u>\$ 781,259</u>	<u>\$ 1,113,694</u>

Investment Objectives and Risk Characteristics

The Organization has a Finance Committee (the "Committee") that oversees the endowment investments. The Organization is committed to invest its endowment funds in socially responsible investments that are sensitive to the environment and operate with good social and corporate governance. The Organization allocates endowment funds to any of multiple investment pools depending on the risk characteristics and investment objectives of those responsible for implementation of the investment strategy, as approved by the Committee. In determining pool allocation, the Committee and Staff consider risk characteristics such as volatility, liquidity, and time horizons. Given the Organization's emphasis on prudent stewardship, pool allocation is significantly weighted toward preservation of capital.

Strategies Employed for Achieving Objectives

To achieve its objectives, the assets will be invested in money market funds and certificates of deposit, fixed income investments, and equity and commodity investments. Real assets also are expected to provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability.

Spending Policy

The Board of Directors will use their discretion in allocating spendable amounts from the endowment investments that will be used for the general operations of the Organization.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 325,100	\$ 325,100
Land improvements	1,090,738	1,066,646
Buildings	10,191,409	10,159,953
Furniture and equipment	2,133,322	2,091,861
Vehicles	253,631	178,653
Computer equipment	693,376	558,493
Construction in process	<u>94,515</u>	<u>39,515</u>
Subtotal	14,782,091	14,420,221
Less accumulated depreciation	<u>(5,260,407)</u>	<u>(4,540,781)</u>
Total, net	<u>\$ 9,521,684</u>	<u>\$ 9,879,440</u>

8. LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank for an amount up to \$500,000. Payments of interest on any outstanding borrowings are due monthly with an interest rate of 3.5%. There were no outstanding borrowings on the line of credit as of June 30, 2021 and 2020. The line of credit expires in January 2023.

9. LONG-TERM DEBT

Under FASB ASC 470, Not-for-Profit Entities are permitted to recognize Payroll Protection Program (PPP) loans as debt. Both CRM and the Café received PPP loans under the Coronavirus Aid, Relief and Economic Security ("CARES") Act related to financial relief from COVID-19 in April of 2020. The promissory notes were in the amounts of \$837,800 and \$102,000, respectfully. Per the terms of these agreements, CRM and the Café may apply for loan forgiveness at the end of the 24-week period following the date of the loan. If forgiveness is confirmed by the bank, the total outstanding balance and accrued interest (1.00% annual rate) will be relieved from CRM's and the Café's obligations to pay. CRM and the Café applied for full forgiveness of the loans after they met the related requirements. The Small Business Administration provided notification of forgiveness of the full amount of each loan on March 5, 2021 and April 8, 2021, respectfully. Accordingly, CRM and the Café recognized the forgiven amounts as miscellaneous income in the accompanying statement of activities during the year ended June 30, 2021. On February 16, 2021, the Café received a second PPP loan for \$88,990 under the CARES Act. The terms are similar to the PPP loans that were granted in 2020. The Small Business Administration provided notification of forgiveness of the full amount of the loan on June 6, 2021. Accordingly, the Café recognized the forgiven amount as miscellaneous income in the accompanying statement of activities during the year ended June 30, 2021.

10. GRANT PAYABLE

During year ended June 30, 2013, the Organization was the recipient of a \$1,000,000 grant from the Federal Home Loan Affordable Housing Program to offset costs associated with the Dove's Nest construction project. Among other non-financial covenants, the grant requires the Organization to utilize the Dove's Nest facility for a minimum of 15 years. If the facility is sold before a period of 15 years, the Organization is required to repay the grant in full. As of June 30, 2021 and 2020, the Organization has a liability recorded in the amount of \$1,000,000 associated with the grant. Upon satisfaction of all required grant conditions, the Organization will recognize the cash proceeds associated with the grant as revenue.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for future periods or purposes consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
General projects	\$ 3,672,290	\$ 163,014
COVID-19	267	67,415
Other	501,633	248,330
Total	<u>4,174,190</u>	<u>478,759</u>
Time restrictions:		
General operations	32,030	11,053
Beneficial interest in trust	104,922	129,922
Community Matters Café	172,350	323,609
Matching gifts	24,201	10,740
Total	<u>333,503</u>	<u>475,324</u>
Held in perpetuity	<u>1,170,389</u>	<u>794,168</u>
Total net assets with donor restrictions	<u>\$ 5,678,082</u>	<u>\$ 1,748,251</u>

Net assets are released from donor restrictions by satisfaction of time and/or purpose. Restrictions released during the years ended June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Program expenses	\$ 2,037,919	\$ 1,307,686
Beneficial interest in trust	<u>25,000</u>	<u>25,000</u>
Total assets released from time and/or purpose restrictions	<u>\$ 2,062,919</u>	<u>\$ 1,332,686</u>

12. LEASE COMMITMENTS

The Organization leases certain equipment and an automobile under long-term operating agreements from unrelated third parties. Rental expenses incurred by the Organization totaled approximately \$43,000 and \$14,000 for the years ended June 30, 2021 and 2020, respectfully.

The approximate future minimum rental payments under these agreements are as follows:

For the year ending June 30:	
2022	\$ 28,000
2023	26,000
2024	18,000
2025	<u>5,000</u>
Total	<u>\$ 77,000</u>

13. EMPLOYEE RETIREMENT PLAN

The Organization maintains a qualified 403(b) retirement plan (the "Plan") in which all eligible employees may participate. The Plan allows for the Organization to make discretionary contributions on behalf of all participants. Employees become 100% vested immediately upon their effective date of participation. During each of the years ended June 30, 2021 and 2020, the Organization made matching contributions equal to 100% of the first 5% of each participant's pre-tax deferral contribution. Expenses for the years ended June 30, 2021 and 2020 were approximately \$96,000 and \$92,000, respectfully.

14. CONTINGENCY

On March 10, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. The outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its students, employees and vendors, all of which are uncertain and cannot be predicted. Therefore, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.