

**COMMUNITY HOUSING COALITION
OF MADISON COUNTY, INC.**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2019



CERTIFIED PUBLIC ACCOUNTANTS

Community Housing Coalition of Madison County, Inc.

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Year Ended October 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Community Housing Coalition of Madison County, Inc.
Marshall, North Carolina

We have reviewed the accompanying financial statements of Community Housing Coalition of Madison County, Inc., which comprise the statement of financial position as of October 31, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary schedule of thrift store statement of activities is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Summarized Comparative Information

We previously reviewed Community Housing Coalition of Madison County's 2018 financial statements and in our conclusion dated March 18, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended October 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

April 6, 2020

Community Housing Coalition of Madison County, Inc.

Statement of Financial Position

As of October 31, 2019

(With summarized comparative totals as of October 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 183,829	\$ 130,597
Inventory	56,262	-
Other Assets	4,468	335
Total Current Assets	<u>244,559</u>	<u>130,932</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>35,158</u>	<u>9,275</u>
Total Long-Term Assets	<u>35,158</u>	<u>9,275</u>
Total Assets	<u>\$ 279,717</u>	<u>\$ 140,207</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 14,454	\$ 9,866
Payroll Taxes Payable	3,740	2,644
Note Payable- Current Portion	<u>17,124</u>	<u>-</u>
Total Current Liabilities	<u>35,318</u>	<u>12,510</u>
<u>Long-Term Liabilities</u>		
Note Payable- Long-term Portion	<u>130,145</u>	<u>-</u>
Total Long-Term Liabilities	<u>130,145</u>	<u>-</u>
Total Liabilities	<u>165,463</u>	<u>12,510</u>
<u>Net Assets</u>		
Without Donor Restrictions	53,412	79,889
With Donor Restrictions	<u>60,842</u>	<u>47,808</u>
Total Net Assets	<u>114,254</u>	<u>127,697</u>
Total Liabilities and Net Assets	<u>\$ 279,717</u>	<u>\$ 140,207</u>

See accompanying notes and independent accountant's review report.

Community Housing Coalition of Madison County, Inc.

Statement of Activities

Year Ended October 31, 2019

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and Revenue				
Government Grants	\$ -	\$ 218,641	\$ 218,641	\$ 167,641
Foundation Grants	115,963	-	115,963	104,381
Contributions	56,585	-	56,585	65,620
Fundraising Events	38,769	-	38,769	19,193
In-Kind Contributions	54,579	-	54,579	73,562
ReClaim Store Revenue	36,158	18,190	54,348	-
Other Income	4,357	-	4,357	2,047
Net Assets Released from Restrictions	223,797	(223,797)	-	-
Total Support and Revenue	530,208	13,034	543,242	432,444
Expenses				
Program Services	470,904	-	470,904	331,295
Management and General	62,089	-	62,089	60,191
Fundraising	23,692	-	23,692	18,973
Total Expenses	556,685	-	556,685	410,459
Change in Net Assets During Year	(26,477)	13,034	(13,443)	21,985
Net Assets at Beginning of Year	79,889	47,808	127,697	105,712
Net Assets End of Year	\$ 53,412	\$ 60,842	\$ 114,254	\$ 127,697

See accompanying notes and independent accountant's review report.

Community Housing Coalition of Madison County, Inc.

Statement of Functional Expenses

Year Ended October 31, 2019

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2019	Total 2018
Salaries	\$ 125,604	\$ 19,936	\$ 6,645	\$ 152,185	\$ 113,632
Payroll Taxes	11,061	2,074	691	13,826	10,300
Total Personnel	136,665	22,010	7,336	166,011	123,932
Building Supplies	51,101	-	-	51,101	33,710
Contract Workers	142,135	-	-	142,135	100,221
Depreciation	-	1,617	-	1,617	729
Dues	-	1,002	-	1,002	1,879
Equipment and Maintenance	458	1,451	-	1,909	7,033
Fundraising Expense	-	-	15,951	15,951	11,577
Insurance	1,599	6,822	-	8,421	4,697
Miscellaneous Expense	1,989	3,001	-	4,990	4,772
Printing and Postage	694	670	-	1,364	443
Professional Fees	6,195	8,794	-	14,989	22,294
Rent	-	10,056	-	10,056	10,056
Supplies	-	3,106	-	3,106	3,126
Subscriptions and Training	2,505	-	-	2,505	3,693
Telephone	-	3,155	-	3,155	3,417
Travel and Transportation	4,219	-	-	4,219	2,920
Website and Web Hosting	-	405	405	810	2,398
Subtotal	347,560	62,089	23,692	433,341	336,897
In-Kind Expenses	54,579	-	-	54,579	73,562
ReClaim Store Expenses	68,765	-	-	68,765	-
Total Expenses	\$ 470,904	\$ 62,089	\$ 23,692	\$ 556,685	\$ 410,459

See accompanying notes and independent accountant's review report.

Community Housing Coalition of Madison County, Inc.

Statement of Cash Flows

Year Ended October 31, 2019

(With summarized comparative totals for the prior year)

	2019	2018
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (13,443)	\$ 21,985
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,617	729
(Increase)/Decrease in Operating Assets:		
Accounts Receivable	-	136
Inventory	(56,262)	-
Other Assets	(4,133)	837
(Decrease)/Increase in Operating Liabilities:		
Accounts Payable	4,588	9,866
Payroll Taxes Payable	1,096	(2,590)
Net Cash Provided/(Used) by Operating Activities	<u>(66,537)</u>	<u>30,963</u>
<u>Cash Flows from Investing Activities</u>		
Vehicle Purchase	<u>(27,500)</u>	-
Net Cash Used by Investing Activities	<u>(27,500)</u>	-
<u>Cash flows from Financing Activities:</u>		
Principal Payments on Long-Term Debt	(2,731)	-
Proceeds from Long-Term Debt	<u>150,000</u>	-
Net Cash Provided by Financing Activities	<u>147,269</u>	-
Net Change in Cash and Cash Equivalents	53,232	30,963
Cash and Cash Equivalents, Beginning of Year	<u>130,597</u>	<u>99,634</u>
Cash and Cash Equivalents, End of Year	<u>\$ 183,829</u>	<u>\$ 130,597</u>

See accompanying notes and independent accountant's review report.

Community Housing Coalition of Madison County, Inc.

Notes to Financial Statements

Year Ended October 31, 2019

1. Description of Organization and Summary of Significant Accounting Policies

Community Housing Coalition of Madison County, Inc. (the Coalition) was formed to promote and facilitate healthy, safe and affordable housing through advocacy, education and resource development for the residents of Madison County, North Carolina. The Coalition is a community-based non-profit which oversees home repairs and rehabilitation projects for low-income homeowners, many of whom are veterans, elderly or disabled persons, by bridging people and resources. With the Coalition's coordination of local contractors, volunteers and visiting summer mission groups, this region's community can continue its rich tradition of neighbors helping neighbors address critical housing needs, and those from outside the community are able to build relationships with the individuals/families they serve.

The Coalition was established in 2002 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, it has been classified as a publicly supported organization under Section 509(a)(1).

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Inventory

Inventory consists of ReClaim Thrift Store items for sale. Purchased items are valued at cost on a first-in, first-out basis and donated items are valued at fair market value on the date of receipt.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item.

Grant Revenue Recognition

Governmental grant and contract revenue arising from exchange transactions are recognized in income as related expenses are incurred. Grants considered to be contributions are recognized when awarded.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to net assets without donor restrictions and are reported on the statement of activities as “Net Assets Released from Restrictions.”

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Fair Value Measurements

In accordance with U.S. GAAP, the Coalition follows “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market.” There are no financial assets carried at fair value on a recurring basis by the Coalition.

Income Taxes/Uncertain Tax Positions

The Coalition is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization’s tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in 2018-19 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Coalition has implemented ASU 2016-14 and the presentation of these financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the organization's reviewed financial statements for the year ended October 31, 2018, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consists of cash in the amount of \$183,829.

The Coalition's goal is generally to maintain financial assets to meet a minimum of 60 days of essential operating expenses (approximately \$60,000) in cash and cash equivalent accounts.

4. Cash and Cash Equivalents

The cash and cash equivalent balances consist of the following:

<u>As of October 31:</u>	<u>2019</u>	<u>2018</u>
Operating Accounts	\$ 114,402	\$ 130,048
ReClaim Store	68,652	-
Petty Cash	775	549
Total Cash and Cash Equivalents	<u>\$ 183,829</u>	<u>\$ 130,597</u>

5. Property and Equipment

Property and equipment consist of the following:

<u>As of October 31:</u>	<u>2019</u>	<u>2018</u>
Land	\$ 7,000	\$ 7,000
Office Equipment	861	861
Vehicle	31,000	3,500
Less: Accumulated Depreciation	(3,703)	(2,086)
Property and Equipment, Net	<u>\$ 35,158</u>	<u>\$ 9,275</u>

Depreciation expense was \$1,617 and \$729 for the years ended October 31, 2019 and 2018, respectively.

6. Net Assets With Donor Restrictions

The Coalition had restricted net assets for urgent repair projects in the amounts of \$60,842 and \$47,808 as of the years ended October 31, 2019 and 2018, respectively.

7. ReClaim Store

During the year, the Coalition opened a thrift store that accepts donated hardware and salvage materials and sells them to the public at discounted prices. Store income and expenses for 2019 are presented in the accompanying supplementary schedule ReClaim Store Statement of Revenue and Expenses.

8. Inventory

The Coalition held inventory for the ReClaim store totaling \$56,262 as of December 31, 2019. The inventory consists of hardware purchased from the previous owner of the building and new stock purchased from a wholesale supplier. The salvage inventory is donated items consisting of appliances, building materials, large home furnishings, lighting fixtures, and antiques.

9. Lease Agreement

The Coalition leases its office space under a one-year lease agreement and is continued on a month to month basis. Monthly payments are \$838 and rent expense for the year ended October 31, 2019 was \$10,056.

The Coalition's ReClaim store space is leased under a three-year agreement that began on April 4, 2019 and expires on April 3, 2022. Monthly rent is \$2,200 for the ReClaim store space and rent expense for the year ended October 31, 2019 was \$15,400. Future minimum lease obligations consist of the following:

<u>Years Ending October 31:</u>	
2020	\$ 26,400
2021	26,400
2022	11,000
Total Remaining Obligations	<u>\$ 63,800</u>

10. Notes Payable

The Coalition's notes payable is shown below:

In April 10, 2019, a note payable of \$150,000 was obtained to assist with the new ReClaim Thrift Store. Terms call for monthly payments of \$2,301 with interest at 7.5% payable over three years with a balloon payment due April 10, 2022.

Total Balance as of October 31, 2019	\$ 147,269
Less: Current Maturities	(17,124)
Notes Payable, Net of Current Maturities	<u>\$ 130,145</u>

The following is a summary of maturities for the years ending October 31:

2020	\$ 17,124
2021	18,480
2022	111,665
Thereafter	-
Total	<u>\$ 147,269</u>

11. Concentration of Support

The Coalition receives approximately 34% of its operating support from the North Carolina Housing Finance Agency.

12. In-Kind Contributions

During the year, the Coalition received building supplies without charge to assist with home repairs and rehabilitation. Total contributed supplies of \$54,579 and \$73,562 are recognized on the statement of activities for the review years ended October 31, 2019 and 2018, respectively.

13. Volunteers

The Coalition makes extensive use of volunteers to carry out its programs. For the fiscal year ended October 31, 2019, volunteers contributed 11,391 hours, with a total value of \$171,351 based on a rate of \$15.00 per hour. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in income.

14. Subsequent Events

Subsequent events have been evaluated through April 6, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

Community Housing Coalition of Madison County, Inc.
Schedule of ReClaim Store - Statement of Revenue and Expenses
Year Ended October 31, 2019

Revenue

Sales	\$	36,158
Contributions		18,190
Total Revenue		54,348

Expenses

Advertising		4,650
Cost of Goods Sold		28,349
Insurance		455
Interest Expense		5,755
Occupancy		16,027
Office Supplies and Equipment		3,632
Other Expenses		2,102
Professional Services		580
Repairs and Maintenance		3,766
Telecommunications		650
Utilities		2,799
ReClaim Store Expenses		68,765
Salaries, Wages and Taxes		19,276
Total Expenses		88,041
Net Income	\$	(33,693)

See accompanying notes.