

***CHARLOTTE CENTER FOR  
LEGAL ADVOCACY, INC.***

***FINANCIAL STATEMENTS  
JUNE 30, 2021***

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***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

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**June 30, 2021**

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# C. DEWITT FOARD & COMPANY, P.A.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Charlotte Center for Legal Advocacy, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Charlotte Center for Legal Advocacy, Inc. (the "Organization" - a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 in the first paragraph present fairly, in all material respects, the financial position of Charlotte Center for Legal Advocacy, Inc., as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and our report dated October 9, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Dewitt Foard & Company, P.A.*  
November 23, 2021

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**CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.****Consolidated Statement of Financial Position****June 30, 2021, with prior year comparative totals**

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	2021	2020
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 2,507,948	\$ 1,434,432
Investments - certificates of deposit	70,007	69,961
Accounts Receivable:		
Operating pledges, net	11,672	17,401
Grants	1,299,648	1,547,502
Other	9,504	31,082
Sales tax	10,842	5,359
Prepaid expenses	36,742	39,444
<b><i>Total Current Assets</i></b>	<b><i>3,946,363</i></b>	<b><i>3,145,181</i></b>
Non-Current Assets:		
Cash held for long term purposes	302,861	361,329
Operating pledges, net of current portion	-	1,991
Beneficial interest in quasi-endowment fund	218,311	116,227
Capital campaign pledges receivable, net	1,798,037	712,186
Property and equipment, net	2,504,778	338,127
<b><i>Total Non-Current Assets</i></b>	<b><i>4,823,987</i></b>	<b><i>1,529,860</i></b>
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 8,770,350</i></b>	<b><i>\$ 4,675,041</i></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 219,286	\$ 23,437
Funds held for others	697,546	94,910
Accrued payroll and withholdings	389,912	273,472
Deferred revenue	27,335	-
Refundable advance	-	272,484
Note payable, current portion	48,796	-
<b><i>Total Current Liabilities</i></b>	<b><i>1,382,875</i></b>	<b><i>664,303</i></b>
Long-Term Liabilities		
Note payable, long term	1,351,204	-
<b><i>Total Liabilities</i></b>	<b><i>2,734,079</i></b>	<b><i>664,303</i></b>
Net Assets:		
Without Donor Restrictions:		
Board-designated	196,348	151,220
Undesignated	1,263,380	804,976
<b><i>Total Net Assets Without Donor Restrictions</i></b>	<b><i>1,459,728</i></b>	<b><i>956,196</i></b>
With donor restrictions	4,576,543	3,054,542
<b><i>Total Net Assets</i></b>	<b><i>6,036,271</i></b>	<b><i>4,010,738</i></b>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 8,770,350</i></b>	<b><i>\$ 4,675,041</i></b>

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**CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.****Consolidated Statement of Activities****Year Ended June 30, 2021, with prior year comparative totals**

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	Year Ended June 30, 2021			2020 Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<b><u>SUPPORT AND REVENUE</u></b>				
Support:				
Annual campaign (net of \$110,160 direct benefit)	\$ 409,518	\$ -	\$ 409,518	\$ 322,598
Other contributions	35,984	1,700,763	1,736,747	551,546
Grants	1,373,562	2,243,389	3,616,951	2,364,593
In-kind contributions	666,834	-	666,834	433,409
Revenue:				
Project 335	522,947	-	522,947	-
Rental income	72,000	-	72,000	72,000
Fees and attorney awards	64,957	-	64,957	44,550
Investment and other	85,590	-	85,590	27,071
Net Assets Released from Restrictions	2,422,151	(2,422,151)	-	-
<b>Total Support and Revenue</b>	<b>5,653,543</b>	<b>1,522,001</b>	<b>7,175,544</b>	<b>3,815,767</b>
<b><u>EXPENSES</u></b>				
Program services	4,794,080	-	4,794,080	3,514,518
Management and general	227,750	-	227,750	184,716
Fundraising	128,181	-	128,181	181,104
<b>Total Expenses</b>	<b>5,150,011</b>	<b>-</b>	<b>5,150,011</b>	<b>3,880,338</b>
<b>CHANGE IN NET ASSETS</b>	<b>503,532</b>	<b>1,522,001</b>	<b>2,025,533</b>	<b>(64,571)</b>
<b>NET ASSETS, BEGINNING</b>	<b>956,196</b>	<b>3,054,542</b>	<b>4,010,738</b>	<b>4,075,309</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,459,728</b>	<b>\$ 4,576,543</b>	<b>\$ 6,036,271</b>	<b>\$ 4,010,738</b>

# CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2021, with prior year comparative totals

	Year Ended June 30, 2021				2020 Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
Salaries and Benefits:					
Salaries:					
Staff attorneys	\$ 1,392,567	\$ -	\$ -	\$ 1,392,567	\$ 1,199,248
Paralegal and program	756,920	-	-	756,920	601,105
Administrative	356,854	33,603	24,847	415,304	390,783
Support staff	16,048	1,511	1,117	18,676	35,386
Employee benefits	538,345	50,694	37,483	626,522	527,000
Payroll taxes	162,325	15,285	11,302	188,912	163,149
<b>Total</b>	<b>3,223,059</b>	<b>101,093</b>	<b>74,749</b>	<b>3,398,901</b>	<b>2,916,671</b>
Other Expenses:					
Attorneys fees (in-kind)	666,834	-	-	666,834	433,409
Project 335 outreach	507,590	-	-	507,590	-
Occupancy	58,174	5,478	4,050	67,702	68,419
Travel and training	12,782	1,204	890	14,876	30,499
Other program costs	45,009	-	-	45,009	67,337
Information technology	86,513	8,147	6,023	100,683	68,081
Annual campaign	-	-	110,160	110,160	43,154
Communications	56,780	32,335	5,285	94,400	61,369
Outside services	29,890	10,811	32,172	72,873	58,986
Publications and references	17,603	-	-	17,603	17,987
Miscellaneous	7,199	15,997	143	23,339	15,683
Repairs and maintenance	10,206	19,211	711	30,128	42,572
Postage and delivery	2,796	10,485	699	13,980	12,236
Dues	22,139	-	-	22,139	24,492
Insurance	2,752	17,362	413	20,527	14,792
Bank fees	-	1,508	-	1,508	-
Litigation costs	1,006	-	-	1,006	2,298
<b>Total</b>	<b>1,527,273</b>	<b>122,538</b>	<b>160,546</b>	<b>1,810,357</b>	<b>961,314</b>
Total Expenses Before Depreciation	4,750,332	223,631	235,295	5,209,258	3,877,985
Depreciation Expense	43,748	4,119	3,046	50,913	45,507
<b>TOTAL EXPENSES</b>	<b>4,794,080</b>	<b>227,750</b>	<b>238,341</b>	<b>5,260,171</b>	<b>3,923,492</b>
Less - Special Events Costs Deducted from Revenue	-	-	(110,160)	(110,160)	(43,154)
<b>NET EXPENSES</b>	<b>\$ 4,794,080</b>	<b>\$ 227,750</b>	<b>\$ 128,181</b>	<b>\$ 5,150,011</b>	<b>\$ 3,880,338</b>

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**CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.****Consolidated Statement of Cash Flows****Year Ended June 30, 2021, with prior year comparative totals**

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	June 30,	
	2021	2020
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 2,025,533	\$ (64,571)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	50,913	45,507
Decrease (increase) in value of beneficial interest	(39,167)	1,493
Contributions restricted for long-term purposes	(1,700,763)	(499,223)
(Increase) decrease in operating assets:		
Operating pledges	7,720	(19,392)
Grants receivable	247,854	1,016,878
Other receivables	16,095	(14,965)
Prepaid expenses	2,702	(9,160)
Increase (decrease) in operating liabilities:		
Accounts payable	(9,000)	(10,128)
Funds held for others	602,636	4,137
Accrued payroll and withholdings	116,440	20,867
Deferred revenue	27,335	-
Refundable advance	(272,484)	272,484
<b><i>Cash Flows from Operating Activities</i></b>	<b><i>1,075,814</i></b>	<b><i>743,927</i></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of fixed assets	(2,217,564)	(25,335)
Increase in construction payables	204,849	-
Purchases of investments	(62,963)	(35,654)
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(2,075,678)</i></b>	<b><i>(60,989)</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions restricted for long-term purposes	1,700,763	499,223
Increase in pledges receivable	(1,117,653)	(24,252)
Increase in bad debt allowance	18,244	-
Increase (decrease) in present value discount	13,558	(17,890)
Proceeds from note payable	1,400,000	-
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>2,014,912</i></b>	<b><i>457,081</i></b>
<b>NET CHANGE IN CASH</b>	<b><i>1,015,048</i></b>	<b><i>1,140,019</i></b>
<b>CASH, BEGINNING</b>	<b><i>1,795,761</i></b>	<b><i>655,742</i></b>
<b>CASH, ENDING</b>	<b><i>\$ 2,810,809</i></b>	<b><i>\$ 1,795,761</i></b>

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# ***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

## **Notes to Financial Statements**

**June 30, 2021**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of activities*

Charlotte Center for Legal Advocacy, Inc. (the “Organization”), formerly known as Legal Services of Southern Piedmont, Inc., is a North Carolina not-for-profit corporation that began operations in 1967 and has its principal office in Charlotte. The purpose of the Organization is to provide equal access to justice for indigent persons in its service area by providing representation for indigent persons on matters of significant concern to them individually and advocating for the low-income community, or groups of indigent persons, on issues of concern to the whole or significant segment of the low income community. The Organization also provides services for the elderly community in the Charlotte area. During the period of this report, the Organization, a United Way agency, primarily served individuals and families living in the Charlotte metropolitan area and west-central North Carolina whose income does not exceed 200 percent of the federal poverty level.

#### *Subsidiary*

On November 18, 2020, the Organization formed 335 for NC, LLC (“335”), a separate Limited Liability Company entity controlled by the Organization. The primary purpose of this entity is to inform eligible North Carolina residents of the \$335 Extra Credit Grant Program. Transactions between the Organization and 335 have been eliminated in the accompanying financial statements. Generally accepted accounting principles ignore the legal concept of separate entities for financial statement purposes. All financial obligations were satisfied prior to the end of the year ended June 30, 2021. The Organization intends to dissolve 335 during the year ending June 30, 2022.

#### *Funding sources*

The Organization is supported by a combination of federal, state and local government funds, the United Way of Central Carolinas, an annual campaign, other contributions from individuals and organizations, grants from state and local bar organizations, grants from private foundations, client fees, and other sources.

#### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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.



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# ***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

## **Notes to Financial Statements**

**June 30, 2021**

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*Net assets with donor restrictions* – Net assets with donor restrictions are comprised of amounts that 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. During the year, the Organization had no net assets with stipulations that they be maintained in perpetuity.

### *Revenue recognition*

The Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09), for the year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The implementation of Topic 606 had no impact on the accompanying financials.

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. Amount received whose restrictions are met within the same accounting period are recorded as net assets without donor restrictions. Capital campaign contributions for construction will be released once the asset is placed in service.

### *Donated professional services*

Certain services are donated by various attorneys, law students and paralegals in the Organization service area at no charge in connection with the Access to Justice Pro Bono Program. Such donated services have been reflected in the accompanying financial statements, based on estimated salary rates, payroll taxes, and employee benefits. If the Organization employed these individuals to perform these services, the estimated cost is \$105 per hour.

### *Other donated goods and services*

No other amounts have been reflected in the financial statements for donated goods and services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management, and fundraising efforts. The Organization does not record the value of other donated services in its financial statements since the value of the services generally does not meet the requirements for recognition in the financial statements.

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# ***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

## **Notes to Financial Statements**

**June 30, 2021**

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### Functional allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. Personnel related expenses are allocated based on management's estimates of time spent. Due to the Organization being a service driven not-for-profit, the majority of their expenses are allocated similarly to personnel expenses.

### Accrued compensated absences

The Organization allows employees to carry over up to 150 hours of compensated absences at the end of the fiscal year. During the year, employees are allowed to accrue more than 150 hours and are paid for the entire amount upon leaving the Organization. This amount is shown as an expense when earned and the unpaid balance at year-end is included as a liability in the accompanying financial statements.

### Federal income tax status

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Organization is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

### 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 2020 financial statements, from which the summarized information was derived. Certain amounts shown as prior-year comparative totals have been reclassified to conform to the current-year presentation.

### 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.

## **NOTE 2 – INVESTMENTS**

### Certificates of deposit

Certificates of deposit are reported at cost plus accrued interest, which approximates fair value. The balance as of June 30, 2021, consists of two certificates of deposit, with maturities of three and six months.

### Beneficial interest

The Organization's quasi-endowment fund is managed by Foundation for the Carolinas and is carried on the books at its fair value, which is estimated by Foundation for the Carolinas.

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# CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

## Notes to Financial Statements

June 30, 2021

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### Fair value

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's certificates of deposit are classified as Level 2 assets and fair value is determined based on cost plus accrued interest. The Organization's investments at Foundation for the Carolinas are classified as Level 3 assets and fair value is determined based on the value of the underlying assets, which consist of investments, some of which are publicly-traded and some of which are not.

The following table sets forth a summary of changes in the fair value of the Organization Level 3 assets for the year ended June 30, 2021:

Balance, beginning of year	\$ 116,227
Purchases	62,917
Net increase in value	<u>39,167</u>
Balance, end of year	<u>\$ 218,311</u>

### Quasi-endowment policies

Quasi-endowment investments are managed by the Foundation for the Carolinas, which has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions while growing the funds. Actual returns in any given year will vary.

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# CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

## Notes to Financial Statements

June 30, 2021

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### NOTE 3 – RECEIVABLES

#### Grants receivable

Grants receivable are presented at net realizable value with no allowance for bad debt or present value discount. Management's assessment of the collectability of the grants are based on a review of individual accounts, historical experience, and current economic conditions. Grants receivable had a balance of \$1,299,648 at June 30, 2021. The balance is expected to be collected in the next fiscal year.

#### Operating pledges receivable

The Organization accepts pledges for operating purposes. Unconditional promises to give are presented net of the allowance for doubtful accounts as calculated by management. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Management has determined that no allowance is needed for promises to give. No present value was computed due to the calculation not being material to the accompanying financial statements. The Organization's operating pledge receivable balance of \$11,672 are expected to be collected during the year ending June 30, 2022

#### Capital campaign pledges receivable

The Organization accepts pledges for a capital campaign, the proceeds of which are used to construct a new office building. Unconditional promises to give are presented net of the allowance for doubtful accounts of \$18,243. Management's assessment of the collectability of receivables are based on a review of individual accounts, historical experience, and current economic conditions. The \$16,848 discount for present value is computed using an interest rate of 0.46 percent based on the weighted average of the U.S. Treasury rates at June 30, 2021. At June 30, 2021 there were two pledges totaling \$650,000 representing 35% of the gross pledge receivable balance, which represents a substantial concentration risk. The Organization's pledges are expected to be collected during the year ending June 30:

2022	\$	578,100
2023		400,150
2024		384,021
2025		268,857
2026 and thereafter		<u>202,000</u>
Total Pledges Receivable		1,833,128
Deduct:		
Allowance for doubtful accounts		18,243
Discount for present value		<u>16,848</u>
NET PLEDGES RECEIVABLE	\$	<u><u>1,798,037</u></u>

All unconditional promises to give for the capital campaign are classified as long-term since the funds will be used for long-term purposes.

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# ***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

## **Notes to Financial Statements**

**June 30, 2021**

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### **NOTE 4 – PROPERTY AND EQUIPMENT**

#### ***Basis of presentation***

Fixed assets are capitalized at cost if purchased or fair value if donated, subject to a \$2,500 capitalization policy. Major repairs and improvements to existing assets that are expected to significantly extend the useful life of such assets are also capitalized. Repair costs not expected to significantly extend the asset's useful life are expensed in the year such costs are incurred. The Organization uses the straight-line method of depreciation over the estimated useful lives of the assets, which vary from three to ten years for computers, furniture and equipment, to 30 years for the building and building improvements. Salvage values are not utilized.

#### ***Balance at June 30, 2021***

Fixed assets at June 30, 2021, consisted of the following:

Land	\$ 206,367
Building	359,791
Building improvements	214,268
Furniture and equipment	223,751
Construction in process	<u>2,180,414</u>
TOTAL COST	3,184,591
Less - accumulated depreciation	<u>(679,813)</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 2,504,778</u>

#### ***Commitment***

The Organization has a signed contract with a construction company for the construction of the new office building. As of June 30, 2021, the contract's remaining amount is \$1,168,530. The Organization also has various large expenditures expected to be incurred shortly after year-end for \$109,711 related to the construction.

### **NOTE 5 – FUNDS HELD FOR OTHERS**

The Organization receives funds for other agencies with similar missions. These funds are shown as a liability, funds held for others, in accompanying financial statements. The balance of \$697,546 was paid to the two agencies shortly after the year ended June 30, 2021.

### **NOTE 6 – REFUNDABLE ADVANCE**

The Organization obtained a refundable advance for \$561,500 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic during the fiscal year ended June 30, 2020. The advance was forgiven in full during the year ended June 30, 2021; therefore, the remaining unutilized portion of the loan at the beginning of the year was recognized as grant revenue for \$272,484.

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# CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

## Notes to Financial Statements

June 30, 2021

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### NOTE 7 - LONG-TERM DEBT AND LINE OF CREDIT

#### Notes payable

During the year ended June 30, 2021, the Organization entered into a long-term note agreement with a local financial institution. The terms of the loan require monthly payments, including principal and interest at a fixed rate of 4.00%, of \$8,669, and all unpaid principal and interest is due at maturity, which is December 2025. The note is secured by the Organization's real estate and the deposit account held with the local financial institution. The outstanding balance at June 30, 2021, was \$1,400,000.

Future maturities of the long-term debt for the years ending June 30 are as follows:

2022	\$ 48,796
2023	50,784
2024	52,853
2025	55,007
2026	1,192,560
	<hr/>
TOTAL DEBT	\$ 1,400,000

#### Interest expense

The Organization incurred and paid interest expense of \$28,697 during the fiscal year ended June 30, 2021. The interest was capitalized as construction in process.

#### Line of credit

The Organization has available a line of credit of up to \$150,000 from a local financial institution which matures in June 2023. Payments of interest only at the Bank's prime rate are required. At June 30, 2021, there was no balance due. No interest expense was paid during the year.

### NOTE 8 – NET ASSETS

#### Board-designated

The Organization Board of Directors has resolved that the following designated funds be established:

*Designated Impact Advocacy Fund* – The Board established an impact advocacy fund with initial funding of \$50,000 for representation of groups, community economic development, legislative and administrative advocacy, and impact legislation. The Executive Director is authorized to use funds for each activity or incident up to \$25,000 without Board approval and shall maintain separate accounting for such expenditures.

*Quasi-Endowment Fund* – The Board has established a quasi-endowment fund at the Foundation of the Carolinas with a fair value at year-end of \$121,348.

*Designated Building Repair and Improvement Fund* – The Board established a building repair and improvement fund with initial funding of \$25,000. The fund is to be used for repair and improvement of real estate owned and operated by the Organization beyond normal costs that are provided for in the budget. The Executive Director is authorized to use funds up to \$25,000 without Board approval.

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# CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

## Notes to Financial Statements

June 30, 2021

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### Net assets with donor restrictions

Net assets with donor restrictions activity for the year was as follows:

	<u>Beginning</u>	<u>Received</u>	<u>Released</u>	<u>Ending</u>
Mecklenburg County	\$ 408,000	\$ 408,000	\$ 408,000	\$ 408,000
KB. Reynolds	421,167	-	336,934	84,233
KB. Reynolds Transformation	115,754	350,000	174,087	291,667
KB. Reynolds Navigator	-	336,934	-	336,934
United Way	73,125	169,000	157,625	84,500
United Way – COVID	83,333	100,000	133,333	50,000
IOLTA	99,058	203,130	200,623	101,565
Internal Revenue Service	50,000	100,000	100,000	50,000
Sisters of Mercy	-	50,000	29,167	20,833
Z. Smith Reynolds	100,000	-	75,000	25,000
Fair Lending Home Defense	-	64,975	43,317	21,658
Equal Justice Works	58,333	-	58,033	300
Leon Levine Foundation	40,000	100,000	80,000	60,000
National Health Law Program	-	50,000	41,667	8,333
North Carolina Bar Foundation	9,000	8,250	9,000	8,250
Bank of America Redevelopment	240,000	-	160,000	80,000
CHS Medical Legal Partnership	40,000	80,000	80,000	40,000
Hispanic Federation	-	100,000	75,000	25,000
Duke Endowment	187,500	-	135,417	52,083
NAELA Elder Law	3,333	-	3,333	-
CACH	417	7,000	6,833	584
HIV Legal Services	-	50,000	10,417	39,583
Brighthouse Financial	12,500	-	10,000	2,500
ZSR Public Benefits	-	50,000	29,167	20,833
Protecting Immigrant Families	-	16,100	4,025	12,075
Capital Campaign	1,113,022	1,700,763	51,173	2,762,612
TOTAL	<u>\$ 3,054,542</u>	<u>\$ 3,944,152</u>	<u>\$ 2,422,151</u>	<u>\$ 4,576,543</u>

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# **CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.**

## **Notes to Financial Statements**

**June 30, 2021**

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### **NOTE 9 – LEASES**

#### Operating leases

The Organization has entered into non-cancelable operating lease agreements for office space, equipment, and software. Lease payments made during the year ended June 30, 2021, were \$68,383. Future minimum payments under operating leases are due during the years ending June 30:

2022	\$ 57,667
2023	17,346
2024	<u>16,335</u>
TOTAL	<u>\$ 91,348</u>

### **NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has \$3,909,621 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,507,948, short-term investments of \$70,007, and current grants receivable, other receivables, and sales tax receivable of \$1,331,666. Of the financial assets available, \$1,813,932 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 expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Organization invests cash in excess of daily requirements in short-term investments, primarily money market funds and certificate of deposits.

### **NOTE 11 – CONCENTRATIONS OF RISK**

#### Geographic area

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

#### Cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at June 30, 2021, included \$2,134,028 of cash in excess of insured limits.

#### Funding

During the year ended June 30, 2021, the Organization received the majority of its funding from a limited number of funding sources, a large amount of which is renewable annually. This represents a significant concentration of risk that operations could be affected if any of these agencies unexpectedly discontinued their funding of the Organization.



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# ***CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.***

## **Notes to Financial Statements**

**June 30, 2021**

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### **NOTE 12 – RETIREMENT PLAN**

The Organization provides a 401(k) plan for the benefit of its employees. Contributions to the Plan are made at the discretion of the Organization Board of Directors and employee contributions are also permitted. Contributions are allocated to employees based on compensation and employees are fully vested in employer contributions after four years. A more detailed description of the Plan is available in the Summary Plan Description. For the year ended June 30, 2021, the Organization accrued a contribution to the Plan of \$171,773.

### **NOTE 13 – UNCERTAINTY**

The COVID-19 pandemic has resulted in significant changes in the local economy. At this point, the full impact of this pandemic on the Organization is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

### **NOTE 14 - 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, other than the construction commitment mentioned in Note 4, no material recognizable subsequent events were identified.