

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

***FINANCIAL STATEMENTS
JUNE 30, 2022***

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Charlotte Center for Legal Advocacy, Inc. (the "Organization" - a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Center for Legal Advocacy, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Charlotte Center for Legal Advocacy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlotte Center for Legal Advocacy, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Charlotte Center for Legal Advocacy, Inc.
Charlotte, North Carolina

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Charlotte Center for Legal Advocacy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlotte Center for Legal Advocacy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.
November 28, 2022

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.**Consolidated Statement of Financial Position****June 30, 2022, with prior year comparative totals**

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 2,668,322	\$ 2,507,948
Investments - certificates of deposit	70,010	70,007
Accounts Receivable:		
Operating pledges, net	305,571	11,672
Grants	1,704,158	1,299,648
Accounts	21,219	9,504
Sales tax	31,979	10,842
Prepaid expenses	40,450	36,742
Total Current Assets	4,841,709	3,946,363
Non-Current Assets:		
Cash held for long term purposes	462,184	302,861
Beneficial interest in quasi-endowment fund	213,743	218,311
Capital campaign pledges receivable, net	1,632,908	1,798,037
Property and equipment, net	5,172,469	2,504,778
Total Non-Current Assets	7,481,304	4,823,987
TOTAL ASSETS	\$ 12,323,013	\$ 8,770,350
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 128,110	\$ 219,286
Funds held for others	566,700	697,546
Accrued payroll and withholdings	364,328	389,912
Deferred revenue	136,410	27,335
Note payable, current portion	-	48,796
Total Current Liabilities	1,195,548	1,382,875
Long-Term Liabilities:		
Note payable, long term	2,098,659	1,351,204
Total Liabilities	3,294,207	2,734,079
Net Assets:		
Without Donor Restrictions:		
Board-designated	185,981	196,348
Undesignated	5,079,453	1,263,380
Total Net Assets Without Donor Restrictions	5,265,434	1,459,728
With donor restrictions	3,763,372	4,576,543
Total Net Assets	9,028,806	6,036,271
TOTAL LIABILITIES AND NET ASSETS	\$ 12,323,013	\$ 8,770,350

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.**Consolidated Statement of Activities****Year Ended June 30, 2022, with prior year comparative totals**

	Year Ended June 30, 2022			2021 Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Support:				
Annual campaign (net of \$113,326 direct benefit)	\$ 423,625	\$ -	\$ 423,625	\$ 409,518
Other contributions	342,624	657,329	999,953	1,736,747
Grants	2,227,536	2,368,370	4,595,906	3,616,951
In-kind contributions	522,143	-	522,143	666,834
Revenue:				
Project 335	-	-	-	522,947
Rental income	42,000	-	42,000	72,000
Fees and attorney awards	61,176	-	61,176	64,957
Gain on sale of fixed asset	1,850,749	-	1,850,749	-
Investment income (loss)	(34,945)	-	(34,945)	39,520
Other income	2,428	-	2,428	46,070
Net Assets Released from Restrictions	3,838,870	(3,838,870)	-	-
Total Support and Revenue	9,276,206	(813,171)	8,463,035	7,175,544
<u>EXPENSES</u>				
Program services	4,901,448	-	4,901,448	4,794,080
Management and general	388,755	-	388,755	227,750
Fundraising	180,297	-	180,297	128,181
Total Expenses	5,470,500	-	5,470,500	5,150,011
CHANGE IN NET ASSETS	3,805,706	(813,171)	2,992,535	2,025,533
NET ASSETS, BEGINNING	1,459,728	4,576,543	6,036,271	4,010,738
NET ASSETS, ENDING	\$ 5,265,434	\$ 3,763,372	\$ 9,028,806	\$ 6,036,271

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Consolidated Statement of Functional Expenses

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

	Year Ended June 30, 2022				2021 Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
Salaries and Benefits:					
Salaries:					
Staff attorneys	\$ 1,645,350	\$ -	\$ -	\$ 1,645,350	\$ 1,392,567
Paralegal and program	1,013,562	-	-	1,013,562	756,920
Administrative	420,802	37,587	27,792	486,181	433,980
Employee benefits	488,645	46,014	34,022	568,681	626,522
Payroll taxes	197,175	18,567	13,729	229,471	188,912
Total	3,765,534	102,168	75,543	3,943,245	3,398,901
Other Expenses:					
Attorneys fees (in-kind)	522,143	-	-	522,143	666,834
Project 335 outreach	-	-	-	-	507,590
Occupancy	48,212	35,576	3,214	87,002	67,702
Travel and training	16,799	1,582	1,170	19,551	14,876
Office expense	113,157	15,061	1,154	129,372	45,009
Information technology	124,155	11,691	8,645	144,491	100,683
Annual campaign	-	-	113,326	113,326	110,160
Communications	64,971	38,040	5,422	108,433	94,400
Outside services	20,731	94,468	72,541	187,740	72,873
Publications and references	22,224	-	-	22,224	17,603
Miscellaneous	6,047	29,297	-	35,344	23,339
Repairs and maintenance	24,302	18,932	1,620	44,854	30,128
Postage and delivery	2,861	10,730	715	14,306	13,980
Dues	27,374	-	-	27,374	22,139
Insurance	4,245	17,857	637	22,739	20,527
Bank fees	-	321	-	321	1,508
Litigation costs	302	-	-	302	1,006
Total	997,523	273,555	208,444	1,479,522	1,810,357
Total Expenses Before Depreciation	4,763,057	375,723	283,987	5,422,767	5,209,258
Depreciation Expense	138,391	13,032	9,636	161,059	50,913
TOTAL EXPENSES	4,901,448	388,755	293,623	5,583,826	5,260,171
Less - Special Events Costs Deducted from Revenue	-	-	(113,326)	(113,326)	(110,160)
NET EXPENSES	\$ 4,901,448	\$ 388,755	\$ 180,297	\$ 5,470,500	\$ 5,150,011

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.**Consolidated Statement of Cash Flows****Year Ended June 30, 2022, with prior year comparative totals**

	June 30,	
	2022	2021
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,992,535	\$ 2,025,533
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	161,059	50,913
Decrease (increase) in value of beneficial interest	35,316	(39,167)
(Gain) on sale of fixed assets	(1,850,749)	-
Contributions restricted for long-term purposes	(657,329)	(1,700,763)
(Increase) decrease in operating assets:		
Operating pledges	(293,899)	7,720
Grants receivable	(404,510)	247,854
Accounts receivable	(32,852)	16,095
Prepaid expenses	(3,708)	2,702
Increase (decrease) in operating liabilities:		
Accounts payable	113,673	(9,000)
Funds held for others	(130,846)	602,636
Accrued payroll and withholdings	(25,584)	116,440
Deferred revenue	109,075	27,335
Refundable advance	-	(272,484)
<i>Cash Flows from Operating Activities</i>	<i>12,181</i>	<i>1,075,814</i>
<u>INVESTING ACTIVITIES</u>		
Purchases of fixed assets	(3,081,431)	(2,217,564)
Proceeds from sale of fixed assets	2,103,430	-
Increase (decrease) in construction payables	(204,849)	204,849
Purchases of investments	(30,751)	(62,963)
<i>Cash Flows from Investing Activities</i>	<i>(1,213,601)</i>	<i>(2,075,678)</i>
<u>FINANCING ACTIVITIES</u>		
Contributions restricted for long-term purposes	657,329	1,700,763
Increase in pledges receivable	157,250	(1,117,653)
Increase in bad debt allowance	1,929	18,244
Increase (decrease) in present value discount	5,950	13,558
Payments on note payable	(1,400,000)	-
Proceeds from note payable	2,098,659	1,400,000
<i>Cash Flows from Financing Activities</i>	<i>1,521,117</i>	<i>2,014,912</i>
NET CHANGE IN CASH	319,697	1,015,048
CASH, BEGINNING	2,810,809	1,795,761
CASH, ENDING	\$ 3,130,506	\$ 2,810,809

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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, 2022. The Organization dissolved 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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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

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 \$150 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.

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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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 2021 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, 2022, 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.

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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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, 2022:

Balance, beginning of year	\$ 218,311
Purchases	30,748
Net decrease in value	<u>(35,316)</u>
Balance, end of year	<u>\$ 213,743</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.

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 \$1,704,158 at June 30, 2022. The balance is expected to be collected in the next fiscal year.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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 \$305,571 are expected to be collected during the year ending June 30, 2023

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 \$18,776. Management's assessment of the collectability of receivables are based on a review of individual accounts, historical experience, and current economic conditions. The \$24,194 discount for present value is computed using an interest rate of 2.92 percent based on the weighted average of the U.S. Treasury rates at June 30, 2022. At June 30, 2022 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:

2023	\$	598,475
2024		465,053
2025		322,825
2026		<u>279,525</u>
Total Pledges Receivable		1,675,878
Deduct:		
Allowance for doubtful accounts		18,776
Discount for present value		<u>24,194</u>
NET PLEDGES RECEIVABLE	\$	<u>1,632,908</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.

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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

Balance at June 30, 2022

Fixed assets at June 30, 2022, consisted of the following:

Land	\$ 380,545
Building	3,643,880
Building improvements	296,024
Furniture and equipment	<u>1,111,520</u>
TOTAL COST	5,431,969
Less - accumulated depreciation	<u>(259,500)</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 5,172,469</u>

Property sale

During the year ended June 30, 2022, the Organization sold their building located at 1431 Elizabeth Ave. for \$2,250,000, which resulted in a gain on the sale of the asset for \$1,850,749. This was a one-time event that is not expected to occur in future years.

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 \$566,700 was paid to the two agencies shortly after the year ended June 30, 2022.

NOTE 6 - LONG-TERM DEBT AND LINE OF CREDIT

Note payable 1

During the year ended June 30, 2022, the Organization paid off the note payable related to the property sold mentioned in Note 4. The Organization entered into a new long-term note agreement with a local financial institution for the construction of the new building that was purchased during the year ended June 30, 2022. The terms of the new loan require monthly payments of interest only at a fixed rate of 4 percent, of \$5,329. The first principal payment is due July 2024, for \$600,000. All unpaid principal and interest are due at maturity, which is July 2026. 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, 2022, was \$1,598,659.

Note payable 2

The Organization entered into a second note payable that is unsecured during the year ended June 30, 2022, for \$500,000. The note requires quarterly interest only payments of \$2,500 at a fixed rate of 2 percent. The note matures January 2027, and requires the unpaid principal amount of \$500,000 plus interest.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

Maturity schedule

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

2025	\$ 600,000
2026	600,000
2027	<u>898,659</u>
TOTAL DEBT	<u>\$ 2,098,659</u>

Interest expense

The Organization incurred and paid interest of \$64,768 during the fiscal year ended June 30, 2022. 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, 2022, there was no balance due. No interest expense was paid during the year.

NOTE 7 – 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 \$110,981.

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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

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	84,233	-	84,233	-
KB. Reynolds Transformation	291,667	566,700	338,892	519,475
KB. Reynolds Navigator	336,934	-	336,934	-
United Way	84,500	143,890	156,445	71,945
United Way – COVID	50,000	-	50,000	-
IOLTA	101,565	441,300	322,215	220,650
Internal Revenue Service	50,000	100,000	100,000	50,000
Sisters of Mercy	20,833	-	20,833	-
Z. Smith Reynolds	25,000	200,000	75,000	150,000
Fair Lending Home Defense	21,658	77,980	41,153	58,485
Equal Justice Works	300	-	300	-
Leon Levine Foundation	50,000	100,000	100,000	50,000
National Health Law Program	8,333	50,000	50,000	8,333
North Carolina Bar Foundation	8,250	8,500	8,250	8,500
Bank of America Redevelopment	80,000	50,000	113,333	16,667
HOLA Carolina	-	15,000	1,250	13,750
Atrium Medical Legal Partnership	40,000	80,000	80,000	40,000
Hispanic Federation	25,000	100,000	125,000	-
Duke Endowment	52,083	-	52,083	-
CACH	584	7,000	7,000	584
HIV Legal Services	39,583	-	25,000	14,583
Brighthouse Financial	2,500	20,000	7,500	15,000
ZSR Public Benefits	20,833	-	20,833	-
Protecting Immigrant Families	12,075	-	12,075	-
Capital Campaign	<u>2,762,612</u>	<u>657,329</u>	<u>1,302,541</u>	<u>2,117,400</u>
TOTAL	<u>\$ 4,576,543</u>	<u>\$ 3,025,699</u>	<u>\$ 3,838,870</u>	<u>\$ 3,763,372</u>

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

NOTE 8 – 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, 2022, were \$56,842. Future minimum payments under operating leases are due during the years ending June 30:

2023	\$	17,346
2024		<u>16,336</u>
TOTAL	\$	<u>33,682</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$4,801,259 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,668,322, short-term investments of \$70,010, and current grants receivable, other receivables, and sales tax receivable of \$2,062,927. Of the financial assets available, \$1,645,972 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 10 – 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 Organization holds cash in excess of the insured limits covered by the FDIC; however, the Organization believes it is not exposed to any significant credit risk related to these accounts.

Funding

During the year ended June 30, 2022, 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.

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Notes to Financial Statements

June 30, 2022

NOTE 11 – 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, 2022, the Organization accrued a contribution to the Plan of \$190,112.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.