

THE COMMUNITY EMPOWERMENT FUND
Chapel Hill, North Carolina

Audited Financial Statements

Years Ended December 31, 2019 and 2018



THE COMMUNITY EMPOWERMENT FUND

TABLE OF CONTENTS

Years Ended December 31, 2019 and 2018

	<u>Page(s)</u>
Report of Independent Auditors.....	1-2
Audited Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements.....	9-19



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Report of Independent Auditors

To the Board of Directors
The Community Empowerment Fund
Chapel Hill, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Empowerment Fund (the “Fund”), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2019 and 2018, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 19, during the year ended December 31, 2019, the Fund adopted ASU 2014-09 - *Revenue from Contracts with Customers* and all subsequent amendments (collectively ASC 606) and ASU 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard has been applied on a retrospective basis. Net assets from certain agreements with local governments during the year ended December 31, 2018 have been restated to reflect the application of this ASU to net assets of the prior period.

As discussed in Note 20, in March 2020, the World Health Organization declared a pandemic related to the spread of coronavirus disease 2019 (COVID-19). Given the uncertainty of the situation, the degree of business interruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to these matters.



Durham, North Carolina
May 20, 2020

THE COMMUNITY EMPOWERMENT FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 509,072	\$ 469,541
Investments (note 3)	-	75,710
Accounts receivable (note 18)	66,152	24,121
Grants receivable	148,020	100,000
Inventory	2,394	2,416
Prepaid expenses and other assets	1,049	-
Total current assets	726,687	671,788
Non-current assets		
Property and equipment, net (note 4)	3,521	5,583
Security deposits	2,485	1,125
Total non-current assets	6,006	6,708
Total assets	<u>\$ 732,693</u>	<u>\$ 678,496</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 6,673	\$ 1,887
Refundable advance (note 6)	-	6,499
Payroll liabilities	13,439	382
Accrued vacation liability	6,631	6,631
Accrued expense (note 11)	10,748	12,919
Savings matches payable	3,125	6,182
Members' deposits (note 7)	68,950	100,439
Total current liabilities	109,566	134,939
Net assets		
Without donor restrictions		
Undesignated	339,298	125,156
Board designated (note 13)	125,971	105,971
Total without donor restrictions	465,269	231,127
With donor restrictions		
Grants	157,858	304,174
Matching reserves	-	8,256
Total with donor restrictions (note 15)	157,858	312,430
Total net assets	623,127	543,557
Total liabilities and net assets	<u>\$ 732,693</u>	<u>\$ 678,496</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue			
Grants (note 8)	\$ 194,944	\$ 229,555	\$ 424,499
Contributions	226,989	-	226,989
Contract revenue	98,082	-	98,082
Other revenue	18,891	-	18,891
Net assets released from restrictions (note 16)	403,939	(403,939)	-
Total support and revenue	942,845	(174,384)	768,461
Expenses			
Program services	566,098	-	566,098
Management and general	93,220	-	93,220
Fundraising	53,368	-	53,368
Total expenses	712,686	-	712,686
Change in net assets from operating activities	230,159	(174,384)	55,775
Non-operating Activities:			
Interest income	483	-	483
Change in net assets from non-operating activities	483	-	483
Change in net assets	230,642	(174,384)	56,258
Net assets, beginning of year	231,127	312,430	543,557
Prior period adjustment (note 18)	3,500	19,812	23,312
Net assets, end of year	\$ 465,269	\$ 157,858	\$ 623,127

The accompanying notes are an integral part of the financial statements

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue			
Grants (note 8)	\$ 143,317	\$ 321,770	\$ 465,087
Contributions	154,107	665	154,772
Contract revenue	38,942	-	38,942
In-kind contributions (note 14)	4,206	-	4,206
Other revenue	5,903	-	5,903
Net assets released from restrictions (note 16)	52,543	(52,543)	-
Total support and revenue	399,018	269,892	668,910
Expenses			
Program services	404,788	-	404,788
Management and general	62,148	-	62,148
Fundraising	50,225	-	50,225
Total expenses	517,161	-	517,161
Change in net assets from operating activities	(118,143)	269,892	151,749
Non-operating Activities:			
Interest income	2,858	-	2,858
Change in net assets from non-operating activities	2,858	-	2,858
Change in net assets	(115,285)	269,892	154,607
Net assets, beginning of year	346,412	42,538	388,950
Net assets, end of year	\$ 231,127	\$ 312,430	\$ 543,557

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ 79,570	\$ 154,607
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	2,062	2,032
In-kind donations	-	(1,700)
Interest	(483)	(2,858)
(Increases) decreases in assets:		
Investments	75,710	(75,710)
Accounts receivable	(42,031)	(93,472)
Grants receivable	(48,020)	-
Inventory	22	34
Prepaid expenses and other assets	(2,409)	-
Increases (decreases) in liabilities:		
Deferred revenue	(6,499)	1,111
Accounts payable	4,786	2,269
Accrued expense	(2,171)	(2,389)
Savings matches	(3,057)	598
Members' deposits	(31,489)	14,688
Accrued vacation	-	(2,887)
Payroll liabilities	<u>13,057</u>	<u>-</u>
Net cash (used) provided by operating activities	39,048	(3,677)
Cash flows from investing activities:		
Interest	<u>483</u>	<u>2,858</u>
Net cash provided by investing activities	483	2,858
Net increase (decrease) in cash and cash equivalents	39,531	(819)
Cash and cash equivalents, beginning of year	<u>469,541</u>	<u>470,360</u>
Cash and cash equivalents, end of year	<u><u>\$ 509,072</u></u>	<u><u>\$ 469,541</u></u>
Non-cash investing and financing transactions		
In-kind donations	<u>\$ -</u>	<u>\$ 1,700</u>

The accompanying notes are an integral part of the financial statements

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services				Support Services			Total Expenses
	Advocate Program	Savings Accounts	Opportunity Classes	Total Program Services	Management and General	Fundraising	Support Services	
Salaries and related benefits	\$ 383,338	\$ 4,408	\$ 23,262	\$ 411,008	\$ 58,160	\$ 23,702	\$ 81,862	\$ 492,870
Client services	48,020	-	-	48,020	-	-	-	48,020
Contracted services	34,253	4,342	1,616	40,211	4,849	3,233	8,082	48,293
Rent and occupancy	9,119	2,331	101	11,551	9,706	19,840	29,547	41,097
Professional fees	16,929	226	903	18,058	12,309	1,806	14,115	32,173
Online services	3,887	30	515	4,431	4,829	242	5,071	9,502
Printing and copying	3,899	1,542	409	5,851	1,007	431	1,439	7,290
Staff development	3,001	28	110	3,139	350	2,431	2,782	5,921
Food and drinks	4,891	8	30	4,929	221	90	311	5,240
Conference and memberships	4,822	9	36	4,866	122	71	193	5,060
Supplies and materials	3,597	84	110	3,790	497	384	881	4,671
Savings matches	-	4,032	-	4,032	-	-	-	4,032
Insurance	1,452	19	77	1,548	232	257	489	2,038
Reimbursable expenses	1,397	500	-	1,897	-	-	-	1,897
Miscellaneous expenses	1,189	88	42	1,319	191	84	275	1,593
Amortization	1,122	15	60	1,197	180	120	299	1,496
Postage	250	-	-	250	-	676	676	926
Depreciation expense	-	-	-	-	567	-	567	567
Totals	\$ 521,165	\$ 17,662	\$ 27,271	\$ 566,098	\$ 93,220	\$ 53,368	\$ 146,588	\$ 712,685

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services				Support Services			Total Expenses
	Advocate Program	Savings Accounts	Opportunity Classes	Total Program Services	Management and General	Fundraising	Support Services	
Salaries & related benefits	\$ 270,488	\$ 7,129	\$ 17,447	\$ 295,064	\$ 36,537	\$ 29,296	\$ 65,833	\$ 360,897
Contracted services	7,287	6,296	10,673	24,256	1,646	13,193	14,839	39,095
Supplies & materials	3,021	140	70	3,231	165	641	806	4,037
Reimbursible expenses	1,276	-	-	1,276	-	-	-	1,276
Printing and copying	2,795	153	26	2,974	77	1,335	1,412	4,386
Postage	253	-	-	253	-	761	761	1,014
Rent and occupancy	34,031	4,049	1,350	39,430	1,088	3,626	4,714	44,144
Travel and transportation	-	-	-	-	-	-	-	-
Insurance	1,169	42	14	1,225	557	370	927	2,152
Staff development	2,635	3	1	2,639	867	62	929	3,568
Online services	6,678	1,534	1,389	9,601	540	498	1,038	10,639
Marketing and outreach								
Other	3,089	20	18	3,127	-	-	-	-
Miscellaneous	156	12	1	169	129	281	410	3,537
Licenses & fees	988	125	-	1,113	212	12	224	393
Savings matches	-	16,262	2	16,264	30	-	30	1,143
Depreciation	-	-	-	-	-	-	-	16,264
Amortization	1,242	45	15	1,302	536	-	536	536
In-kind	-	-	-	-	45	150	195	1,497
Professional fees	2,864	-	-	2,864	200	-	200	200
Totals	\$ 337,972	\$ 35,810	\$ 31,006	\$ 404,788	\$ 62,148	\$ 50,225	\$ 112,373	\$ 517,161

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 1 – Nature of activities and significant accounting policies

The Community Empowerment Fund (the “Fund”) is a private non-profit organization incorporated under the laws of North Carolina in 2010. The Fund provides savings opportunities, financial education, and assertive support to unemployed and underemployed individuals in Orange and Durham Counties. The Fund has offices in Chapel Hill and Durham, North Carolina.

Basis of accounting - The Fund uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of presentation - The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) 958-205 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (“AICPA”) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. The Fund’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition - The Fund follows ASC Topic 985-605, Revenue Recognition. In accordance with ASC 985-605, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 1 – Nature of activities and significant accounting policies (continued)

Revenue recognition (cont.) - When a restriction expires, that is, when a stipulated time restriction ends or a purpose 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contract Balances - The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, and customer advances and deposits (deferred revenue) on the Statement of Financial Position. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., quarterly or monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in receivables. However, CEF sometimes receive advances or deposits from customers, before revenue is recognized, resulting in deferred revenue. These deposits are liquidated when revenue is recognized.

Fair value – Investments are stated at fair value.

The Fund values its investments in accordance with a hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement) when market prices are not readily available or reliable.

The three levels of the hierarchy under fair value measurements are described below:

Level 1: Quoted prices in active markets for identical securities

Level 2: Prices determined using other significant observable inputs, which are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions and would be based on the best information available.

Interest income is recognized as unrestricted revenue unless specifically restricted for use by the donor.

Accounts receivable – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Fund provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of the parties to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Fund's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance is required at December 31, 2019 or 2018.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 1 – Nature of activities and significant accounting policies (continued)

Inventory - Inventory, which consists primarily of computers donated to the organization for purchase by members, is valued at the lower of cost or market determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Property and equipment – Property and equipment are stated at cost if purchased or fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Fund is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions – The Fund files IRS Form 990. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by the Fund in its tax returns that might be uncertain. The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Fund does not believe the financial statements include any uncertain tax positions and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statements of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Fund.

Descriptions of program services

Advocate Program - Connects homeless and near-homeless individuals with supportive community resources (e.g. employment, food, health, financial services). Specific outcomes include assisting 119 individuals in gaining new employment and 128 households to make successful transitions from homelessness.

Matched Savings accounts - Enables homeless and near-homeless individuals to save towards personal savings goals by providing goal oriented, matched savings accounts and personalized money management assistance.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 1 – Nature of activities and significant accounting policies (continued)

Opportunity classes - Provides low-income individuals with financial coaching, job readiness training and relationship-based support for achieving greater financial stability.

Measure of operations – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs and other activities considered to be of a more unusual or non-recurring nature.

New accounting pronouncements –

Revenue from Contracts with Customers: In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Net assets from certain agreements with local governments during the year ended December 31, 2018 have been restated to reflect the application of this ASU to net assets of the prior period. See Note 19.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: The Fund also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective January 1, 2019. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. This standard has been applied on the retrospective basis to the remaining portion of existing agreements and has resulted in the reclassification of certain government grants in the amount of \$35,687 as of December 31, 2018 from contract revenue to grant revenue. This reclassification had no effect on net assets.

Statement of Cash Flows: Restricted Cash: The Fund also adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* effective January 1, 2019. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 1 – Nature of activities and significant accounting policies (continued)

Pending accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Fund for the year ending December 31, 2021. The adoption of this standard is expected to result in the Fund's recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on the Fund's financial statements.

Note 2 – Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consists of cash and other highly liquid resources with an original maturity of three months or less when purchased.

The Fund maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 and 2018, the Fund held \$37,093 and \$86,346 uninsured cash balances, respectively.

Cash and cash equivalents are comprised of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash in banks	\$ 509,072	469,541
Total	<u>\$ 509,072</u>	<u>\$ 469,541</u>

Note 3 – Investments

Investments at December 31, 2018 consisted of a 12 month term certificate of deposit at a financial institution, with an interest rate of 1.55% that matured on May 24, 2019. Investment in certificates of deposit of \$75,710 is stated at cost which approximates fair value. CEF had no certificates of deposit or other investment balances at December 31, 2019. Interest earned on investments was \$483 and \$100 for the years ended December 31, 2019 and 2018, respectively.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 4 – Property and equipment, net

Property and equipment consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 2,150	\$ 2,150
Furniture and fixtures	1,700	1,700
Improvements	7,480	7,480
Less accumulated depreciation	<u>(7,809)</u>	<u>(5,747)</u>
Property and equipment, net	<u>\$ 3,521</u>	<u>\$ 5,583</u>

Depreciation expense was \$2,063 and \$2,032 for the years ended December 31, 2019 and 2018, respectively.

Note 5 – Deferred revenue

The Fund records revenue from contracts received in advance as refundable advances until related services are performed, at which time they are recorded as unrestricted revenue. The activity in the deferred revenue account was as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 6,499	\$ 5,388
Funds received	-	9,665
Expenditures	<u>(6,499)</u>	<u>(8,554)</u>
Ending balance	<u>\$ -</u>	<u>\$ 6,499</u>

Note 7 – Members' deposits

Member's deposits consist of amounts due to members for savings account deposits for the Home Buyer Saving program and Saver's Savings program, held on their behalf by the Fund. Members may make withdrawals of these funds with two days notice.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 8 – Grants

During the years ended December 31, 2019 and 2018, the Fund received grant support from the following sources:

	<u>2019</u>	<u>2018</u>
University grants	\$ 11,471	\$ 1,800
Foundation grants	304,724	385,250
Government grants	93,044	35,687
Corporate grants	<u>15,260</u>	<u>42,350</u>
	<u>\$ 424,499</u>	<u>\$ 465,087</u>

Note 9 – Promises to give

Unconditional promises to give are included in grants receivable and consisted of \$75,000 and \$100,000 at December 31, 2019 and 2018, respectively.

The Fund has received a conditional promise to give of \$200,000 for future general operating support due in payments of \$100,000 each in 2020 and 2021. Since this grant requires the Fund to meet certain conditions, it is not recorded as revenue until the conditions are met.

Note 10 – Volunteers

Numerous volunteers donate significant amounts of time as volunteer Advocates. Volunteer Advocates are paired with members to build uniquely powerful and transformative relationships as they set and achieve concrete goals around employment, housing, and financial savings. Advocates work with members to achieve these goals using the Fund's own targeted financial tools and assistance navigating other community resources. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$701,863 and \$694,159 for the years ended December 31, 2019 and 2018, respectively.

Note 11 – Lease commitments

On April 15 2016, the Fund entered into a lease for a new Chapel Hill office location. The lease expires October 31, 2021. Rent is \$36,000 per year initially with an annual escalation of 3%. The landlord allowed a rent concession until October 15, 2016 with the first escalation commencing November 1, 2017.

In July 1, 2016, the Fund entered into a lease agreement for office space in Durham, North Carolina. The lease expired June 30, 2019. Rent is \$600 per month under the lease with an annual escalation of 3%. The Fund continued to rent this office space on a month-to-month basis through November 2019.

Effective December 1, 2019, the Fund entered into a lease agreement for office space in Durham, North Carolina.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 11 – Lease commitments (continued)

The lease expires November 30, 2022 and contains an option to extend the lease for an additional 36 month period. Rent is payable monthly in the amount of \$1,885 with 3% increases annually.

As a result of certain rent holidays and escalation clauses included in the leases noted above, deferred rent liabilities totaling \$10,712 and \$12,824 for 2019 and 2018, respectively, are included in accrued expenses in the statement of financial position.

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows at December 31:

Year Ending December 31	Amount
2020	\$ 39,535
2021	33,765
	<u>\$ 73,300</u>

Rent expense under the office and equipment leases totaled \$47,681 and \$44,143 for the years ended December 31, 2019 and 2018, respectively.

Note 12 – Contingencies

The Fund receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Fund. The Fund has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

Note 13 – Board designated net assets

As of December 31, 2019 and 2018, the Board of Directors designated \$125,971 and \$105,971, respectively, of unrestricted net assets to support the mission of the Fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Note 14 – In-kind contributions

The Fund recognizes contribution revenue for donated assets that would be purchased if not donated, at the fair value of those items. Donated assets are recorded as in-kind contributions when received and are expensed in the same year or as property and equipment depreciated over their remaining useful lives. During the years ended December 31, 2019 and 2018, the Fund received \$0 and \$1,700 of in kind contributions.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 15 – Net assets with donor restrictions

Net assets with donor restrictions are available for the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Programs	\$ 82,858	\$ 204,174
Matching reserves	<u>-</u>	<u>8,256</u>
	82,858	212,430
Subject to the passage of time:		
For periods after December 31	<u>75,000</u>	<u>100,000</u>
Net assets with donor restrictions	<u><u>\$ 157,858</u></u>	<u><u>\$ 312,430</u></u>

Note 16 – Net assets released from restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the grant awards or by passage of time. Net assets released from restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Programs	\$ 295,683	\$ 49,000
Savings matches	8,256	2,437
Pledged Member Support	<u>-</u>	<u>1,106</u>
	303,939	52,543
Subject to the passage of time:	<u>100,000</u>	<u>-</u>
Total	<u><u>\$ 403,939</u></u>	<u><u>\$ 52,543</u></u>

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 17 – Liquidity

The Fund's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Liquid assets:		
Cash and cash equivalents	\$ 509,072	\$ 469,541
Investments	-	75,710
Accounts receivable	66,152	24,121
Grants receivable	148,020	100,000
Prepaid expenses and other assets	1,049	-
	<u>\$ 724,293</u>	<u>\$ 669,372</u>
Less:		
Board designated	125,971	105,971
Matching reserves	-	8,256
Savings matches	3,125	6,182
Member deposits	68,950	100,439
With donor restrictions	157,858	304,174
Less: restrictions expected to be met before 12/31/2020	<u>(228,241)</u>	<u>(52,543)</u>
	<u>127,663</u>	<u>472,479</u>
	<u>\$ 596,630</u>	<u>\$ 196,893</u>

The Fund's financial assets have been reduced by amounts not available for general use because of donor imposed or other restrictions within one year of the balance sheet date. The Fund has not established a liquidity management policy to structure its financial assets to meet operating expenses. If needed, board designated amounts may be released to meet current obligations.

Note 18 – Contracts

For the year ended December 31, 2019 and 2018, contract assets included in accounts receivables on the Statement of Financial Position were:

	2019	2018
Orange County Connect Contract	\$ 22,613	\$ 7,000
Housing Displacement Assistance Program contract	738	-
Landlord Engagement Contract	15,232	-
Durham Crisis Response Center Contract	481	481
Total contract revenue receivable	<u>\$ 39,064</u>	<u>\$ 7,481</u>

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

Note 19 – Prior period adjustment

During the year ended December 31, 2019, the Fund adopted ASU 2014-09 and all related amendments, collectively ASC Topic 606. A prior period adjustment was made to recognize the effects of all contracts in place as of December 31, 2018. The effect of the restatement for the year ended December 31, 2018 is summarized as follows:

	<u>As previously recorded</u>	<u>Restated</u>
Grants	429,400	465,087
Contract revenue	74,629	38,942
Net assets Without Donor Restrictions	231,127	234,627
Net assets With Donor Restrictions	312,430	332,242

Note 20 – Subsequent events

The Fund has evaluated events from the date of the statement of financial position through May 20, 2020, the date the report is available to be issued which is the date of the auditor's report. The Fund has not evaluated subsequent events after that date.

The Fund's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The extent of the ultimate disruption caused by the outbreak is uncertain and the Fund received a paycheck protection program loan in the amount of \$94,610 on April 20, 2020. Nevertheless, the pandemic presents uncertainty and risk with respect to the Fund, its performance, and its financial results.