

THE COMMUNITY EMPOWERMENT FUND
Chapel Hill, North Carolina

Audited Financial Statements

Years Ended December 31, 2020 and 2019



THE COMMUNITY EMPOWERMENT FUND
TABLE OF CONTENTS
Years Ended December 31, 2020 and 2019

	<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.....	9-18



Fayetteville Road Office Park
6114 Fayetteville Road, Suite 101
Durham, North Carolina 27713

919/ 544-0555 Phone
919/ 544-0556 Fax
866/ 956-5544 Toll Free

Certified Public Accountants
and Consultants

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, 2020 and 2019, 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, 2020 and 2019, 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.

Thomas S. Gibbs CMA, PCC

Durham, North Carolina
April 23, 2021

THE COMMUNITY EMPOWERMENT FUND
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 913,237	\$ 509,072
Accounts receivable (note 18)	22,330	66,152
Grants receivable	67,880	148,020
Inventory	2,387	2,394
Prepaid expenses and other assets	4,768	1,049
Total current assets	<u>1,010,602</u>	<u>726,687</u>
Non-current assets		
Property and equipment, net (note 3)	1,458	3,521
Security deposits	2,485	2,485
Total non-current assets	<u>3,943</u>	<u>6,006</u>
Total assets	<u>\$ 1,014,545</u>	<u>\$ 732,693</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 1,293	\$ 6,673
Payroll liabilities	9,606	13,439
Accrued vacation liability	6,631	6,631
Accrued expense (note 10)	6,332	10,748
Savings matches payable	18,528	3,125
Members' deposits (note 5)	78,481	68,950
Total current liabilities	<u>120,871</u>	<u>109,566</u>
Non-current liabilities		
PPP loan payable (note 6)	94,636	-
Total non-current liabilities	<u>94,636</u>	<u>-</u>
Total liabilities	215,507	109,566
Net assets		
Without donor restrictions		
Undesignated	542,487	339,298
Board designated (note 12)	256,551	125,971
Total without donor restrictions	<u>799,038</u>	<u>465,269</u>
With donor restrictions		
Grants	-	157,858
Total with donor restrictions (note 16)	<u>-</u>	<u>157,858</u>
Total net assets	<u>799,038</u>	<u>623,127</u>
Total liabilities and net assets	<u>\$ 1,014,545</u>	<u>\$ 732,693</u>

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

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue			
Grants (note 7)	\$ 603,790	\$ 55,924	\$ 659,714
Contributions	320,083	-	320,083
Contract revenue	110,340	-	110,340
Other revenue	9,706	-	9,706
Net assets released from restrictions (note 15)	213,782	(213,782)	-
Total support and revenue	1,257,701	(157,858)	1,099,843
Expenses			
Program services	676,785	-	676,785
Management and general	190,773	-	190,773
Fundraising	56,374	-	56,374
Total expenses	923,932	-	923,932
Change in net assets from operating activities	333,769	(157,858)	175,911
Change in net assets	333,769	(157,858)	175,911
Net assets, beginning of year	465,269	157,858	623,127
Net assets, end of year	\$ 799,038	\$ -	\$ 799,038

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 7)	\$ 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 15)	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	234,627	332,242	566,869
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
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Operating activities		
Change in net assets	\$ 175,911	\$ 56,258
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	2,063	2,063
Interest	-	(483)
(Increases) decreases in assets:		
Investments	-	75,710
Accounts receivable	43,822	(42,031)
Grants receivable	80,140	(24,803)
Inventory	7	22
Prepaid expenses and other assets	(3,719)	(2,409)
Increases (decreases) in liabilities:		
Deferred revenue	-	(6,499)
Accounts payable	(5,380)	4,786
Accrued expense	(4,417)	(2,077)
Savings matches	15,403	(3,057)
Members' deposits	9,531	(31,489)
Payroll liabilities	(3,832)	13,057
Net cash provided by operating activities	309,529	39,048
Cash flows from investing activities:		
Interest	-	483
Net cash provided by investing activities	-	483
Cash flows from financing activities		
Proceeds from notes payable	94,636	-
Net cash provided by financing activities	94,636	-
Net increase (decrease) in cash and cash equivalents	404,165	39,531
Cash and cash equivalents, beginning of year	509,072	469,541
Cash and cash equivalents, end of year	\$ 913,237	\$ 509,072

The accompanying notes are an integral part of the financial statements

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services				Support Services			Total Expenses
	Advocate Program	Savings Program	Financial Coaching	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and related benefits	\$ 380,220	\$ 2,623	\$ 16,326	\$ 399,169	\$ 110,015	\$ 39,069	\$ 149,084	\$ 548,253
Client services	149,642	10	-	149,652	-	-	-	149,652
Rent and occupancy	43,673	267	1,977	45,917	10,343	4,125	14,468	60,385
Professional fees	19,362	59	438	19,859	18,598	9,288	27,886	47,745
Online services	2,616	1,326	47	3,989	1,618	446	2,064	6,053
Printing and copying	1,891	9	69	1,969	1,374	1,355	2,729	4,698
Staff development	4,339	10	75	4,424	421	227	648	5,072
Food and drinks	1,278		1	1,279	23	1	24	1,303
Conference and memberships	544	1	5	550	25	10	35	585
Supplies and materials	2,101	275	19	2,395	429	39	468	2,863
Savings matches	-	39,433	-	39,433	-	-	-	39,433
Insurance	2,015	12	91	2,118	1,716	394	2,110	4,228
Reimbursable expenses	507	-	-	507	-	-	-	507
Miscellaneous expenses	2,514	97	197	2,808	1,237	411	1,648	4,456
Postage	245	-	1	246	67	905	972	1,218
Depreciation expense	1,085	7	49	1,141	820	102	922	2,063
Bad debt	1,309	-	-	1,309	44,083	-	44,083	45,392
Interest expense	19	-	1	20	4	2	6	26
Totals	\$ 613,360	\$ 44,129	\$ 19,296	\$ 676,785	\$ 190,773	\$ 56,374	\$ 247,147	\$ 923,932

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	Total 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
Postage	250	-	-	250	-	676	676	926
Depreciation expense	1,122	15	60	1,197	746	120	866	2,063
Totals	\$ 521,165	\$ 17,662	\$ 27,271	\$ 566,098	\$ 93,220	\$ 53,368	\$ 146,588	\$ 712,686

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

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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 - 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.

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

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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

Revenue recognition (cont.) - contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Revenue from contracts with customers are recognized in accordance with ASU 2014-09 (Topic 606). Such revenue consists of contracts with local governments to provide services to the government.

Contract Balances - The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, and customer advances and deposits (contract liabilities) 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 contract liabilities. 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.

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

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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

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, 2020 or 2019.

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.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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

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 63 individuals in gaining new employment and benefits and 101 households in making 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.

Opportunity classes - Provides low-income individuals with financial coaching, job readiness training and relationship-based support for achieving greater financial stability. Opportunity classes were discontinued during the year ended December 31, 2020.

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.

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, 2022. 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.

Reclassifications – Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 – Cash and cash equivalents

The Fund maintains cash balances in banks or a money market fund with an investment broker. Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The money market account is insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC). At December 31, 2020 and 2019, the Fund held \$380,898 and \$37,093 uninsured cash balances, respectively.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 3 – Property and equipment, net

Property and equipment consists of the following as of December 31, 2020 and 2019:

	2020	2019
Equipment	\$ 2,150	\$ 2,150
Furniture and fixtures	1,700	1,700
Improvements	7,480	7,480
Less accumulated depreciation	(9,872)	(7,809)
Property and equipment, net	<u>\$ 1,458</u>	<u>\$ 3,521</u>

Depreciation expense was \$2,063 and \$2,063 for the years ended December 31, 2020 and 2019, respectively.

Note 4 – Contract liabilities

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

	2020	2019
Beginning balance	\$ -	\$ 6,499
Funds received	110,340	-
Expenditures	(110,340)	(6,499)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

Note 5 – 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.

Note 6 – Note payable

On April 10, 2020, the fund entered into a note payable in the amount of \$94,636 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The fund expended PPP loan proceeds for purposes consistent with the PPP and will apply for forgiveness within 10 months of the end of the covered period.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 6 – Note payable (continued)

To the extent that the Fund is not granted forgiveness, the Fund will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of May 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Fund has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020. The entire balance remains outstanding at December 31, 2020.

Future minimum payments under the note would be as follows should forgiveness be denied.

Year Ending December 31,	Principal	Interest	Total
2021	\$ 78,743	\$ 724	\$ 79,467
2022	15,893	26	15,919
	<u>\$ 94,636</u>	<u>\$ 750</u>	<u>\$ 95,386</u>

Note 7 – Grants

During the years ended December 31, 2020 and 2019, the Fund received grant support from the following sources:

	2020	2019
University grants	\$ 46,900	\$ 11,471
Foundation grants	472,810	304,724
Government grants	102,504	93,044
Corporate grants	37,500	15,260
	<u>\$ 659,714</u>	<u>\$ 424,499</u>

Note 8 – Promises to give

Unconditional promises to give are included in grants receivable and consisted of \$0 and \$75,000 at December 31, 2020 and 2019, respectively.

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

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 9 – 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 \$593,123 and \$701,863 for the years ended December 31, 2020 and 2019, respectively.

Note 10 – 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.

Effective December 1, 2019, the Fund entered into a lease agreement for office space in Durham, North Carolina. 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 \$6,332 and \$10,712 for 2020 and 2019, 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	CH Office	DU Office	Amount
2021	\$ 33,765	\$ 23,357	\$ 57,122
2022	-	21,998	21,998
	<u>\$ 33,765</u>	<u>\$ 45,355</u>	<u>\$ 79,120</u>

Rent expense under the office and equipment leases totaled \$57,682 and \$47,681 for the years ended December 31, 2020 and 2019, respectively.

Note 11 – 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.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 12 – Board designated net assets

As of December 31, 2020 and 2019, the Board of Directors designated \$256,551 and \$125,971, 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 13 – 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, 2020 and 2019, the Fund received no in kind contributions.

Note 14 – Net assets with donor restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Programs	\$ -	\$ 57,858
Matching reserves	-	8,256
	<u>-</u>	<u>66,114</u>
Subject to the passage of time:		
For periods after December 31	-	100,000
Net assets with donor restrictions	<u>\$ -</u>	<u>\$ 157,858</u>

Note 15 – 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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Programs	\$ 130,811	\$ 295,683
Savings matches	-	8,256
	<u>130,811</u>	<u>303,939</u>
Subject to the passage of time:	<u>82,971</u>	<u>100,000</u>
Total	<u>\$ 213,782</u>	<u>\$ 403,939</u>

THE COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 16 – 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	\$ 913,237	\$ 509,072
Investments	-	-
Accounts receivable	22,330	66,152
Grants receivable	67,880	148,020
Prepaid expenses and other assets	4,768	1,049
	<u>\$ 1,008,215</u>	<u>\$ 724,293</u>
Less:		
Board designated	256,551	125,971
Savings matches	18,528	3,125
Member deposits	78,481	68,950
With donor restrictions	-	157,858
Less: restrictions expected to be met before 12/31	-	(228,241)
	<u>353,560</u>	<u>127,663</u>
	<u>\$ 654,655</u>	<u>\$ 596,630</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's has not established an 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 17 – Contracts

For the year ended December 31, 2020 and 2019, contract assets included in accounts receivables on the Statement of Financial Position were:

	<u>2020</u>	<u>2019</u>
Orange County Connect Contract	\$ -	\$ 22,613
Housing Displacement Assistance Program contract	-	738
Landlord Engagement Contract	-	15,232
Durham Crisis Response Center Contract	-	481
Total contract revenue receivable	<u>\$ -</u>	<u>\$ 39,064</u>

Note 18 – Subsequent events

The Fund has evaluated events from the date of the statement of financial position through April 23, 2021, 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 COMMUNITY EMPOWERMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

Note 18 – Subsequent events (continued)

Subsequent to December 31, 2020, the fund applied for and received notification that the full amount of the PPP loan discussed in Note 6 had been forgiven.